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# CENTRAL GOVERNMENT AUDIT REPORT

## (COMMERCIAL)



1964

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## AUDIT REPORT (COMMERCIAL)

## 1964


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## PREFATORY REMARKS

Government Commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General, fall under the following categories:—

(i) Statutory Corporations.

(ii) Government Companies.

(iii) Departmentally managed Commercial Undertakings.

2. The funds of the Corporations and Companies are separate from the Consolidated Fund of the Government of India. However, under the relevant provisions in the respective Acts of the Corporation or under the Indian Companies Act, their accounts are subject to the scrutiny of the Comptroller and Auditor General.

3. Thus in respect of the Air India, the Indian Airlines Corporation and the Oil and Natural Gas Commission, the Comptroller and Auditor General is the sole auditor, while in other cases like the Industrial Finance Corporation he has the right to conduct the audit of the concern independently of the audit conducted by the professional auditors appointed under the Act.

4. In the case of Government Companies he conducts audit scrutiny over and above the audit conducted by professional auditors, appointed by the Central Government on his advice. The Comptroller and Auditor General carries out a supplementary or test-audit of these accounts and gives his comments upon or supplements the report submitted by the professional auditors. The Companies Act also empowers the Comptroller and Auditor General to issue directives to the Auditors in regard to the performance of their functions. In March, 1962, such directives were issued by him to the private auditors for looking into certain specific aspects of the working of Government Companies. The important points contained in the special reports received from these auditors have been mentioned in para XX of Chapter II and also referred to where necessary in the comments relating to individual concerns.

5. The receipts and expenditure and transactions relating to Departmental Undertakings, form part of the Consolidated Fund of India, and the Comptroller and Auditor General is responsible for their audit.

6. As usual, a general review of all concerns falling under each of these categories and a more comprehensive review of the working of some of the Concerns are included in the following chapters. Simplified *proforma* accounts of some of the Government Departmental Undertakings have also been annexed.

## CHAPTER I

## STATUTORY CORPORATIONS

### I. INTRODUCTION

In the year 1962-63 no new Central Government Corporation was formed. Therefore, the same five Corporations continued under the audit of the Director of Commercial Audit during this year also.

2. Compared with the previous year, the paid up capital of four of these Corporations (*i.e.* excluding Oil and Natural Gas Commission) increased from Rs. 32·18 crores to Rs. 35·01 crores. Loans also increased from Rs. 70·99 crores to Rs. 84·14 crores. The maximum amount of loan was to the Industrial Finance Corporation which amounted to Rs. 55·18 crores upto 30th June, 1963. In 1962-63 these four Corporations gave a total return of Rs. 7·01 crores as compared with Rs. 3·66 crores during the previous year, the percentage of return on total capital employed being 5·76 and 3·5 respectively.

3. The financial position of these four Corporations as on 31st March, 1963 is indicated in Annexure 'A'. In respect of Oil and Natural Gas Commission, only the figures for 1961-62 have been given separately as their accounts for the year 1962-63 have not yet been received.

4. *Working Results.*

(i) *Air India.*—This Corporation made a profit of Rs. 234·78 lakhs during 1962-63 as against Rs. 38·86 lakhs in the previous year. If there was no interest holiday on the loan (*vide* para 5 (i) below) the profit would have been only Rs. 174·75 lakhs.

(ii) *Indian Airlines Corporation.*—The net profit of the Corporation increased to Rs. 60·91 lakhs during 1962-63 as against Rs. 7·88 lakhs in 1961-62. If interest was payable on the loan (*vide* para. 5(i) below) the profit would have been reduced to Rs. 15·53 lakhs.

(iii) *Central Warehousing Corporation.*—During 1962-63, this Corporation incurred a loss of Rs. 2·20 lakhs as against a loss of Rs. 2·03 lakhs in 1961-62.

(iv) *Industrial Finance Corporation.*—During the year 1962-63 the Corporation earned a profit of Rs. 167·62 lakhs as against Rs. 128·71 lakhs in 1961-62.

(v) *Oil and Natural Gas Commission.*—Some details of the working of this Corporation have been given in para II.

5. Besides making investment in the form of capital and granting loans, the Government have also given the following facilities to these Corporations: —

(i) Waived interest upto 1st October, 1966 on loans given to Air India and Indian Airlines Corporation. The total amount of interest so waived upto 31st March, 1963 in the case of Air India was Rs. 196·60 lakhs and that in the case of Indian Airlines Corporation was Rs. 262·14 lakhs.

(ii) Guaranteed minimum dividend in the case of Industrial Finance Corporation and Central Warehousing Corporation. In the case of Industrial Finance Corporation the dividend has been guaranteed @ $2\frac{1}{4}$ per cent. on the first Rs. 5·00 crores of the paid up capital and at 4 per cent. on the remaining Rs. 2·00 crores. For the Central Warehousing Corporation the dividend has been guaranteed @ $3\frac{1}{2}$ per cent. Upto 31st March, 1963 Government have paid Rs. 26·60 lakhs to the Central Warehousing Corporation against these guaranteed dividends.

(iii) Guaranteed loans of Rs. 4·81 crores and Rs. 28·24 crores raised by Air India and Industrial Finance Corporation respectively.

# ANNEXURE 'A'

ANNEXURE

SUMMARISED FINANCIAL

| Sl. No. | Name of the Corporation | Date of formation of Corporation | Paid up Capital | Loans | Free Reserves as on 31-3-62 | Total Capital employed |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | MINISTRY OF TRANSPORT | | | | | |
| 1. | Air India . . . | 1-8-53 | 13,40,82 | 18,22,04* | 27,67 | 31,90,53 |
| 2. | Indian Airlines Corporation | 1-8-53 | 10,73,99 | 10,73,99* | 20,38 | 21,68,36 |
| | TOTAL | | 24,14,81 | 28,96,03 | 48,05 | 53,58,89 |
| | MINISTRY OF FOOD AND AGRICULTURE | | | | | |
| 3. | Central Warehousing Corporation . . . | March, 57 | 3,85,97 | .. | .. | 3,85,97 |
| | TOTAL | | 3,85,97 | .. | .. | 3,85,97 |
| | MINISTRY OF FINANCE | | | | | |
| 4. | Industrial Finance Corporation. | 1-7-48 | 7,00,00 | 55,17,62 | 2,06,81 | 64,24,43 |
| | TOTAL . | | 7,00,00 | 55,17,62 | 2,06,81 | 64,24,43 |
| | MINISTRY OF PETROLEUM AND CHEMICALS | | | | | |
| 5. | Oil and Natural Gas Commission. | | | | ..........Accounts for | |
| | GRAND TOTAL (of items 1 to 4) | | 35,00,78 | 84,13,65 | 2,54,86 | 1,21,69,29 |
| | Figures for the year 61-62 . | | 32,18,42 | 70,98,97 | 2,34,69 | 1,05,52,c8 |
| | Figures for the year 60-61 . | | 24,98,45 | 62,06,86 | 1,63,92 | 88,69,23 |
| | Oil and Natural Gas Commission (for the year ending 31st March, 1962). | | 35,67,76 | .. | .. | 35,67,76 |

'A'

RESULTS OF 1962-63.

(Rupees in thousands).

| Block Assets (Net) | Depreciation | Profit(+) Loss(—) | Interest on loans | Total Return | Percentage of total return on capital employed | Remarks |
|---|---|---|---|---|---|---|
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 19,75,44 | 5,37,20 | (+)2,34,78 | 32,70 | (+)2,67,48 | 8.4 | *Loan of Rs. 13,40,81,737 is free of interest upto 1-10-1966. |
| 10,05,31 | 6,30,33 | (+)60,91 | .. | (+)60,91 | 2.1 | *Free of interest upto 1-10-1966. |
| 29,80,75 | 11,67,53 | (+)2,95,69 | 32,70 | (+)3,28,39 | | |
| 73,31 | 1,82 | (—)2,20 | .. | (—)2,20 | | |
| 73,31 | 1,82 | (—)2,20 | .. | (—)2,20 | | |
| 1,13 | 1,46 | (+)1,67,62* | 2,07,55 | (+)3,75,17 | 5·84 | *This includes Rs. 84·95 lakhs on account of provision for taxation. |
| 1,13 | 1,46 | (+)1,67,62 | 2,07,55 | (+)3,75,17 | | |
| 1962-63 not yet received........ | | | | | | |
| 30,55,19 | 11,70,81 | (+)4,61,11 | 2,40,25 | (+)7,01,36 | | |
| 28,16,74 | 12,21,82 | (+)1,73,42 | 1,92,13 | (+)3,65,55 | | |
| 23,43,88 | 12,48,17 | (+)2,09,80 | 1,84,99 | (+)3,94,79 | | |
| 8,01,17 | 2,08,23 | .. | .. | .. | | The excess of expenditure over Income amounts to Rs. 14·80 crores upto 31-3-1962. |

## II. OIL & NATURAL GAS COMMISSION

As a result of the recommendations of a team of Foreign Experts who submitted a comprehensive plan for the exploration of Oil in India, the Oil and Natural Gas Commission was formed on 14th August, 1956 under the control of the Ministry of Natural Resources with the Minister of Natural Resources as Chairman. On October 15, 1959 by an Act of Parliament the Oil and Natural Gas Commission was made a statutory body.

2. *Capital.*—The non-recurring expenditure incurred by the Commission prior to its conversion into a statutory body (*i.e.* upto 14th October, 1959) was treated as initial capital of the Commission.

Under Section 16(2) of the Oil and Natural Gas Commission Act, further capital is to be provided to the Commission by the Central Government from appropriations made in this regard, on such terms and conditions as Government may determine. Since then the Government have provided additional funds to the Commission from time to time. The terms and conditions governing the issue of additional funds which now amount to Rs. 52·04 crores (whether they should be treated as equity capital or loan) have not so far been settled.

3. *Pilot Plant.*—A Pilot Plant for refining heavy crude was installed by December, 1962 at a cost of Rs. 1·89 lakhs. The plant, however, could not be put into operation to date for want of some accessories, as well as due to the uncertainty of the future of the field. The Plant was also not found suitable for being put to alternative use. It was, therefore, decided on 11th April, 1963 that this Plant should be abandoned. The expenditure of Rs. 1·89 lakhs on the Pilot Plant less salvage value of Rs. 0·60 lakh (approximately) has thus been rendered infructuous.

4. *Delay in the submission of Accounts.*—Under the rules the annual accounts of the commission duly signed by the Members of the Commission together with the Borad's certificate and report thereon are required to be submitted to the Central Government by the end of February of the following year to which the accounts relate. The accounts of the Commission were, however, finalised and approved by the Commission on the following dates:

| | |
|---|---|
| 1959-60 . . . . . | 30-12-1961. |
| 1960-61 . . . . . | 21-2-1963. |
| 1961-62 . . . . . | 24-10-1963. |
| 1962-63 . . . . . | Not yet finalised. |

5. *Accounting Manual.*—The Commission has no Accounting Manual laying down the procedure for the maintenance and compilation of accounts on commercial lines and defining the duties and responsibilities at various levels. It is understood that the compilation of the Manual is in progress.

6. *Stores.*—(a) During the year 1961-62 the physical verification of stores was conducted under the supervision of the employees belonging to the stores organisation in contravention of the Rule 17 (i) of the Oil and Natural Gas Commission Rules, 1960 which prescribes that such verification should be conducted by the employees of the Commission other than those belonging to the Stores organisation.

The results of physical verification and the progress of settlement of discrepant items are given as below:—

| Year | Total No. of items in stock. | Discrepant items | | | | Outstanding items (July, 1963) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Short | | Excess | | Short | | Excess | |
| | | No. | Value. | No. | Value. | No. | Value. | No. | Value. |
| | | | Rs. | | Rs. | | Rs. | | Rs. |
| 1960-61 | 10181 | 198 | 40260 | 122 | 173315 | 198 | 40260 | 122 | 173315 |
| 1951-62 | 37935 | 1544 | 2456030 | 883 | 1071558 | 1237 | 2202178 | 652 | 972699 |
| 1962-63 | 65813 | 2670 | .. | 3155 | .. | 1983 | .. | 2183 | .. |

(Value not given for 1962-63)

No physical verification was conducted in respect of the capital stores which were issued to the various drill sites. The value of such stores is stated to be appreciable.

(b) The physical verification of stores in respect of two units was not conducted at all.

(c) The purchases of imported stores and spares, the value of materials taken on charge and the value of materials not linked with invoices during the last 3 years ending 31st March, 1962 are indicated below:

(*Position as on* 15-11-1963)

(Rupees in lakhs)

| Year | Total payments as per invoices. | Value of materials taken on charge. | Value of materials not linked with invoices. |
|---|---|---|---|
| 1959-60 . . . . . . . | 338·51 | 324·79 | 13·72 |
| 1960-61 . . . . . . . | 411·95 | 354·47 | 57·48 |
| 1961-62 . . . . . . . | 517·47 | 312·53 | 204·94 |

The value of stores received upto 31st March, 1962 but not yet (15th November, 1963) linked with the invoices is Rs. 204·94 lakhs. This would indicate that the stores ledgers are incomplete to that extent.

(d) The Directorates of Geophysics of three stations do not maintain any stock ledgers at all. The store ledgers recording all purchases of non-consumable stores are not properly maintained in most of the store formations.

(e) The distributor's registers meant for temporary issues on loan to contractors etc., were also not maintained properly in most of the projects. In some of the projects these registers were not maintained at all. Due to the non-maintenance or incompleteness of these registers it is not easy to find out which items are still on loan and which have been returned.

Maximum and minimum limits for stores have not yet been fixed. It has been stated that these are under examination.

7. *Loss of interest and commission due to non-furnishing of a guarantee.*—Under an agreement with a foreign firm the Commission is required to open letters of credit with the State Bank of India for the full value of the supply of equipment, materials etc. These letters of credit are valid upto 2 years. Till December, 1962 the Commission was depositing 100 per cent value of the credit in advance with the bank, before opening letters of credit.

In June, 1962 at the instance of Audit, the Commission approached the State Bank of India for extending the facility of accepting a guarantee (in the prescribed form) instead of actually depositing money with the Bank. This was agreed to. Accordingly, the first guarantee was given in respect of a letter of credit for Rs. 75·55 lakhs opened under the contract dated 14th December, 1962. Had the above steps been taken from the very beginning a loss of interest of *Rs. 7·40 lakhs* approximately on 15 letters of credit aggregating Rs. 365·70 lakhs opened during August, 1960 to March, 1963 could have been avoided.

In addition, the Commission had also not been able to secure the benefit of the reduced rate of commission where Government's counter-guarantees are available.

8. *Infructuous expenditure on the hiring of accommodation.*—The shipments of the Commission are cleared through the Director General, Supplies and Disposals, who charges 1 per cent. of the

Invoices Value which covers also storage of equipment for one month free of charge. The Commission had, however, hired in September, 1960 a building at an expense of Rs. 17,350 per month (including salary of staff at Rs. 6,000 per month). A review of the shipments received revealed that in respect of 90 per cent of the equipment, despatch instructions were received in time and the material could have been straightaway sent from dock to the destinations. The balance of 10 per cent. could have been stored in the Director General, Supplies and Disposal's godown. The hired godown was in occupation of the Commission from 20th September, 1960 to 30th September, 1962 on which date it was closed down. A total expenditure of Rs. 4·22 lakhs was incurred on running this godown.

9. *Avoidable expenditure on purchase of cranes.*—Two 18 tons capacity cranes purchased at a cost of Rs. 3·16 lakhs through the India Supply Mission were received by the Project on 22-4-1960. It was then noticed that the hook block supplied with the cranes was of 10 tons capacity only instead of 18 tons. It is stated that the original offer of the firm was only for 10 tons capacity hook block, which was not detected at the time of considering the offers. As a result, two hook blocks of 18 tons capacity were ordered at a cost of Rs. 3,931 but have not been received so far. In the absence of a suitable crane to lift heavy equipments, the Commission had to hire two cranes of 20 tons capacity and an extra expenditure of Rs. 2·07 lakhs was incurred on them upto June, 1962. No responsibility for the loss has been fixed so far.

## OTHER TOPICS OF INTEREST

### III. INDIAN AIRLINES CORPORATION

*Avoidable expenditure of Rs.* 2,30,000 *on Rationalisation of Shifts:*— The Indian Airlines Corporation decided to rationalise the shift system and entered into an agreement with the All India Aircraft Engineers Association in May, 1961 to pay increased rates of shifts allowance in order to increase productivity and to eliminate any restrictive and wasteful practices in the shape of idle time and over time payments. As per this agreement the increased rates were payable only from the date of rationalisation of shifts. The shifts in Bombay, Calcutta and Delhi Areas were rationalised on different dates between 13th April, 1962 and 6th May, 1962 but the shift allowances at increased rates were paid with retrospective effect from 1st May, 1961. Because of this, the Corporation had to incur an additional expenditure of about Rs. 2,30,000.

# CHAPTER II

## GOVERNMENT COMPANIES

### IV. INTRODUCTION

(a) There were 46 Companies with 2 subsidiaries as on 31st March, 1963, under the administrative control of 12 Ministries.

During the year 1962-63 the paid up capital of these companies increased from Rs. 614·97 crores to Rs. 743·28 crores and the loan taken from Rs. 459·41 crores to Rs. 526·77 crores. After taking into consideration the free Reserves, the total capital employed increased from Rs. 1090·75 crores to Rs. 1294·11 crores.

The net result of operation of all these Companies showed a loss of Rs. 12·38 crores during this year as compared to the loss of Rs. 10·60 crores in the previous year. The main reason for the increase in loss, is the increased loss in this year of Hindustan Steel Limited (actual loss Rs. 23·91 crores against a loss of Rs. 19·47 crores in the previous year).

The break-up of the paid-up capital of these companies according to the investments made by the Central Government, State Governments and Private parties as on 31st March, 1963 was as under :—

(Rs. in thousands)

| | Paid-up capital. | | | | |
|---|---|---|---|---|---|
| | No. | Centre | State | Private parties | Total |
| (a) Companies fully owned by Central Govt. (excluding subsidiaries) . . . | 35 | 707,15,11 | .. | .. | 707,15,11 |
| (b) Companies jointly owned by Central and State Govts. | 3 | 20,14,92 | 1,68,08 | .. | 21,83,00 |
| (c) Companies jointly owned by Central Govt. and private parties . . . | 4 | 3,11,33 | .. | 68,11 | 3,79,44 |
| (d) Companies jointly owned by Central Govt. State Govts. & private parties . | 4 | 6,98,79 | 2,51,63 | 99,64 | 10,50,06 |
| TOTAL . | 46 | 737,40,15 | 4,19,71 | 1,67,75 | 743,27,61 |

As on 31-3-1963, an amount of Rs. 71·29 crores was recoverable, by all these companies taken together, from their respective customers. In the case of 29 companies, a sum of Rs. 6·64 crores was outstanding that day for over a year.

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The financial results of these companies including subsidiaries as on 31-3-1963 is given in Annexure 'B'.

In addition to making investments in the form of equity capital and grant of loans, the Government have also:—

(i) (a) Granted "Interest holiday" on loans amounting to Rs. 357·10 crores in the case of Hindustan Steel Ltd., upto 31-3-1962. The recovery so waived amounts to Rs. 39·71 crores.

(b) Granted moratorium for two years in respect of re-payment of loan of Rs. 3 crores to Indian Oil Company.

(c) Granted moratorium for 2 to 3 years in respect of re-payment of loan of National Coal Development Corporation Ltd. of Rs. 5·92 crores.

(ii) Apart from the concessions mentioned above subsidies have been granted to some companies for meeting operational deficits, organising fairs in foreign countries, maintenance of hospitals and industrial housing schemes. During 1962-63 six companies received subsidies aggregating Rs. 222·62 lakhs. The cumulative total of the subsidies paid by Government upto 31-3-1963 was Rs. 1201·40 lakhs. The companywise details are in Annexure 'C'. The major portion of the subsidies were, however, received by the following companies :—

| | | |
|---|---|---|
| (1) Hindustan Shipyard | Rs. 827 lakhs. | For meeting deficits. |
| (2) National Industrial Development Corpn. Ltd. | Rs. 54 lakhs. | |
| (3) National Small Industries Corpn. Ltd. | Rs. 229 lakhs. | For promotional activities and in lieu of concessional rate of interest, etc. |

(iii) Guaranteed loans amounting to Rs. 29·79 crores raised by 13 companies.

### (b) Dividend

34 companies out of 46 showed a profit of Rs. 18·66 crores during 1962-63, before providing for taxation. Out of these 11 companies 'Annexure D' declared dividend amounting to Rs. 154·32 lakhs which represents 6·4 per cent of the paid up capital of these companies. This works out to 0·2 per cent. on the total paid up capital of Rs. 743·28 crores of all the Government Companies. The remaining 12 companies showed a loss of Rs. 31·04 crores, of which Rs. 29·28 crores pertains to 3 companies, *viz.*, Hindustan Steel Limited, Heavy Electricals (India) Ltd. and Neyveli-Lignite Corporation Limited. The net result for the year taking all the forty-six companies together was a loss of Rs. 12·38 crores.

# ANNEXURES 'B', 'C' & 'D'



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ANNEXURE

SUMMARISED FINANCIAL

| Sl. No. | Name of the Company | Date of incorporation. | Paid up Capital | Loans | Free Reserves as on 31-3-62 | Total Capital employed |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | *Ministry of Industry* | | | | | |
| 1. | Nahan Foundry Limited . | 20-10-52 | 40,00 | 7,50 | 1,76 | 49,26 |
| 2. | Hindustan Insecticides Limited . . . | 12-3-54 | 97,00 | 25,33 | 77,24 | 1,99,57 |
| 3. | National Instruments Limited . . . | 26-6-57 | 1,05,96 | 20,00 | 2,05 | 1,28,01 |
| 4. | Hindustan Salts Limited (year ending 30-6-1962) . | 12-4-58 | 1,67,25 | .. | .. | 1,67,25 |
| 5. | Hindustan Cables Limited | 4-8-52 | 1,60,47* | 1,19,00 | 38,03 | 3,17,50 |
| 6. | Hindustan Antibiotics Limited . . . | 30-3-54 | 2,47,26 | .. | 3,00,75 | 5,48,01 |
| 7. | National Small Industries Corporation Limited . | 4-2-55 | 50,00 | 6,54,78 | 1,32,72 | 8,37,50 |
| 8. | National Newsprint and Paper Mills Limited . | 25-1-47 | 4,94,52* | 66,00** | 4,18 | 5,64,70 |

'B'

RESULTS OF 1962-63

(Rupees in thousands)

| Block Assets Net | Deprecia-tion to-date | Profit(+) Loss(—) | Interest on loans | Total Return | Percentage of total return on capital employed | Remarks. |
|---|---|---|---|---|---|---|
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 11,54 | 8,45 | (—)5,38 | 34 | (—)5,04 | .. | |
| 71,89 | 59,82 | (+)43,42 | 1,14 | (+)44,56 | 22·3 | |
| 53,72 | 24,09 | (+)11,83 | 91 | (+)12,74 | 9·9 | This includes Rs. 15 lakhs on account of share application money given by Central Govt. |
| 1,01,71 | 38,22 | (+)15,88 | .. | (+)15,88 | 9·5 | The date of closing of the financial year of the company has been changed from 30th June to 30th September. Hence the figures for the period ending 30-6-62 have been taken. |
| 1,27,17 | 71,81 | (+)39,74 | 3,85 | (+)43,59 | 13·7 | *This includes Rs. 17 lakhs as advance by Govt. of India towards share capital received on 18-3-63. |
| 3,92,25 | 1,36,32 | (+)1,39,60 | .. | (+)1,39,60 | 25·5 | |
| 1,47,38 | 21,85 | (+)14,71 | 22,88 | (+)37,59 | 4·5 | |
| 3,16,10 | 2,23,93 | (+)50,49 | .. | (+)50,49 | 8·8 | **Interest free from Govt. of Madhya Pradesh secured against Factory and Office building and Mill Water Works. *Includes Rs. 4,30,978 being the amount received on forfeited. |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| 9. | Hindustan Photo Films Manufacturing Company Limited . . . | 30-11-60 | 1,65,00 | .. | .. | 1,65,00 |
| 10. | Hindustan Organic Chemicals Ltd. . | 12-12-60 | 1,22,00 | .. | .. | 1,22,00 |
| 11. | Indian Drugs and Pharmaceuticals Ltd. . | 5-4-61 | 3,80,00 | .. | .. | 3,80,00 |
| 12. | Rehabilitation Industries Corporation Limited . | 13-4-59 | 85,00 | 81,00 | .. | 1,66,00 |
| 13. | National Industrial Development Corporation Limited . . . | 20-10-54 | 45,00 | 9,73,53 | .. | 10,18,53 |
| | TOTAL . | .. | 21,59,46 | 19,47,14 | 5,56,73 | 46,63,33 |
| | *Ministry of International Trade* | | | | | |
| 14. | State Trading Corporation of India Limited . | 18-5-56 | 2,00,00 | .. | 6,52,12 | 8,52,12 |
| 15. | Export Credit and Guarantee Corporation Limited (Year ending 31-12-1962.) | 30-7-57 | 50,00 | .. | 4,70 | 54,70 |
| | TOTAL . | | 2,50,00 | .. | 6,56,82 | 9,06,82 |

| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|---|---|---|---|---|---|---|
| 2,49,86 | 1,09 | (+)16 | .. | (+)16 | 0.1 | The Company has not gone into production. Profit has been made on the sale of imported films. |
| 60,25 | 70 | (—)8,23 | .. | (—)8,23* | .. | *Expenditure of Rs. 8,54,013 incurred during construction is to be allocated to fixed assets or to be written off. |
| 25,70 | 3,59 | (—)30,25 | .. | (—)30,25 | .. | |
| 9,36 | 67 | (—)1,37 | 2,68 | (+)1,31 | 0.8 | |
| 87 | 34 | (—)31* | 40,28 | (+)39,97 | 3.9 | *This deficit is recoverable from Government grant. |
| 15,67,80 | 5,90,88 | (+)2,70,29 | 72,08 | (+)3,42,37 | | |
| 8,16 | 9,02 | (+)4,36,23 | .. | (+)4,36,23 | 51.2 | |
| 52 | 40 | (+)4,85* | .. | (+)4,85 | 8.86 | *Includes Rs. 4,54,409 for Reserve for unexpired Risks. |
| 8,68 | 9,42 | (+)4,41,08 | .. | (+)4,41,08 | | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| | *Ministry of Defence* | | | | | |
| 16. | Mazagon Dock Limited . | 26-2-34 | 73,00 | 75,00 | 14,87 | 1,62,87 |
| 17. | Bharat Electronics Limited. | 21-4-54 | 5,21,25 | 1,00,00 | 11,94 | 6,33,19 |
| 18. | Garden Reach Workshops Limited . . . | 26-2-34 | 80,00 | 65,00 | 45,12 | 1,90,12 |
| 19. | Hindustan Aircraft Limited . . . . | 23-12-40 | 20,00,00 | 3,27,12 | 74,04 | 24,01,16 |
| 20. | Praga Tools Corporation Limited . . . | 28-5-43 | 1,50,54* | 20,00 | 2,27 | 1,72,81 |
| | TOTAL . | | 28,24,79 | 5,87,12 | 1,48,24 | 35,60,15 |
| | *Department of Atomic Energy* | | | | | |
| 21. | Indian Rare Earths Limited . . . . | 18-8-50 | 1,00,00 | .. | 45 | 1,00,45 |
| 22. | Travancore Minerals Limited . . . | 30-10-56 | 50,00 | .. | 20,57 | 70,57 |
| | TOTAL . | | 1,50,00 | .. | 21,02 | 1,71,02 |
| | *Ministry of Home Affairs* | | | | | |
| 23. | Sirmur Land Produce Syndicate Limited . | 19-3-45 | 2,58 | .. | .. | 2,58 |
| | TOTAL . | | 2,58 | .. | .. | 2,58 |
| | *Ministry of Finance* | | | | | |
| 24. | Film Finance Corporation Limited . . . . | 25-3-60 | 50,00 | .. | 1 | 50,01 |
| | TOTAL . | | 50,00 | .. | 1 | 50,01 |

| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|---|---|---|---|---|---|---|
| 38,54 | 61,79 | (+)24,78 | 3,09 | (+)27,87 | 17.1 | |
| 2,54,97 | 1,09,88 | (+)46,86 | 3,52* | (+)50,38 | 7.96 | *Includes Rs. 2,79,213 towards interest charges for the period upto 31-3-1963 accrued but not due for payment. |
| 51,36 | 74,14 | (+)12,50 | 2,69 | (+)15,29 | 8.04 | |
| 14,10,49 | 5,44,75 | (+)94,40 | 14,72 | (+)1,09,12 | 4.5 | |
| 69,31 | 63,08 | (+)34 | 1,20 | (+)1,54 | 0.9 | *Includes Rs. 97,450 being the amount received on forfeited shares. |
| 18,34,67 | 8,53,64 | (+)1,78,98 | 25,22 | (+)2,04,20 | | |
| 43,18 | 48,96 | (+)13,19 | .. | (+)13,19 | 13.1 | |
| 17,52 | 7,83 | (+)18,10 | .. | (+)18,10 | 25.65 | |
| 60,70 | 56,79 | (+)31,29 | .. | (+)31,29 | | |
| ............Accounts not received since 1958-59.......... | | | | | | |
| .. | .. | .. | .. | .. | | |
| 23 | 4 | (+)1,65 | .. | (+)1,65 | 3.3 | |
| 23 | 4 | (+)1,65 | .. | (+)1,65 | | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| | *Ministry of Irrigation and Power* | | | | | |
| 25 | National Projects Construction Corporation Limited . . . . | 9-1-57 | 1,33,00 | 1,15,00 | 5,71 | 2,53,71 |
| | TOTAL | | 1,33,00 | 1,15,00 | 5,71 | 2,53,71 |
| | *Ministry of Works, Housing and Rehabilitation* | | | | | |
| 26 | Ashoka Hotels Limited . | 17-10-55 | 1,50,00 | 32,00 | 15,18 | 1,97,18 |
| 27 | National Buildings Construction Corporation Limited . . . | 15-11-60 | 72,00 | 66,00 | .. | 1,38,00 |
| 28 | Hindustan Housing Factory Limited . | 27-1-53 | 40,00 | 35,00 | 6,61* | 81,61 |
| 29 | Rehabilitation Housing Corporation Limited (Year ending 31-12-1962) . . | 19-9-51 | 6,25 | .. | 1,83 | 8,08 |
| | TOTAL . | | 2,68,25 | 1,33,00 | 23,62 | 4,24,87 |
| | *Ministry of Transport* | | | | | |
| 30 | Shipping Corporation of India Ltd. . . | 2-10-61 | 23,45,00 | 3,05,52 | 1,88,20 | 28,38,72 |
| 31 | Mogul Line Ltd. (Year ending 31-12-62) . | 2-8-1877 | 1,01,19 | .. | 95,81 | 1,97,00 |
| 32 | Hindustan Shipyard Limited . . . . | 21-1-52 | 5,85,90 | 6,66 | .. | 5,92,56 |
| 33 | Hindustan Teleprinters Limited . . . | 14-12-60 | 75,00 | 15,00 | 49 | 90,49 |
| 34 | Kulu Valley Transport Limited . . . | 12-7-41 | 5,00 | 6 | 23 | 5,29 |
| 35 | Indian Telephone Industries Limited . . | 25-1-50 | 4,00,00 | 2,05,00 | 54,28 | 6,59,28 |
| | TOTAL . | | 35,12,09 | 5,32,24 | 3,39,01 | 43,83,34 |

| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|---|---|---|---|---|---|---|
| 1,90,85 | 53,45 | (+)22,29 | 1,81 | (+)24,10 | 9.5 | |
| 1,90,85 | 53,45 | (+)22,29 | 1,81 | (+)24,10 | | |
| 1,97,39 | 79,51 | (+)32,22 | 2,01 | (+)34,23 | 17.4 | |
| 32,63 | 8,33 | (—)31,71 | 2,70 | (—)29,01 | .. | |
| 41,32 | 7,97 | (+)4,15 | 1,75 | (+)5,90 | 7.23 | *Inc'udes Rs. 1.20 lakhs representing the write back of proposed dividerd provided last year. |
| 7 | 4 | (+)95 | .. | (+)95 | 11.7 | |
| 2,71,41 | 95,85 | (+)5,61 | 6,46 | (+)12,07 | | |
| 23,63,66 | 6,18,34 | (+)1,42,31 | 12,85 | (+)1,55,16 | 5.47 | |
| 79,34 | 1,88,93 | (+)36,08 | .. | (+)36,08 | 18.3 | Became Govt. company on 30-3-1962. |
| 3,12,21 | 1,87,41 | (+)37 | 36 | (+)73 | 0.12 | |
| 20,98 | 2,62 | (+)1,86 | 21 | (+)2,07 | 2.3 | |
| 24 | 29 | (—)18 | .. | (—)18 | .. | |
| 3,10,65 | 2,10,15 | (+)1,02,06 | 8,18 | (+)1,10,24 | 16.7 | |
| 30,87,08 | 12,07,74 | (+)2,82,50 | 21,60 | (+)3,04,10 | | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| --- | --- | --- | --- | --- | --- | --- |
| | *Ministry of Scientific Research and Cultural Affairs* | | | | | |
| 36 | National Research Development Corporation of India . . . | 31-12-53 | 20,00 | 15,00 | .. | 35,00 |
| | Total . . | | 20,00 | 15,00 | .. | 35,00 |
| | *Ministry of Mines and Fuel* | | | | | |
| 37 | Neyveli Lignite Corporation Ltd. . . | 14-11-56 | 80,00,00 | 15,05,11* | 2,10,00 | 97,15,11 |
| 38 | Indian Oil Company Limited . . | 30-6-59 | 3,22,25* | 3,00,00 | .. | 6,22,25 |
| 39 | Indian Refineries Limited | 22-8-58 | 29,40,00* | 16,60,46 | .. | 46,00,46 |
| 40 | National Coal Development Corpn. Ltd. . | 5-9-56 | 35,74,09* | 34,05,50 | 1,83,34 | 71,62,93 |
| 41 | National Mineral Development Corpn. Ltd. . | 15-11-58 | 5,92,03 | 3,75,25 | .. | 9,67,28 |
| | Total . | | 154,28,37 | 72,46,32 | 3,93,34 | 230,68,03 |
| | *Ministry of Steel, Mines & Heavy Engineering* | | | | | |
| 42 | Hindustan Machine Tools Limited . . . | 7-2-53 | 8,06,00* | 2,74,60 | 73,20 | 11,53,80 |

| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|---|---|---|---|---|---|---|
| 9,59* | 2,96 | (—)3,10 | 49 | (—)2,61 | | *This includes Rs. 3·29 lakhs being the amount spent upon production unit under construction. |
| 9,59 | 2,96 | (—)3,10 | 49 | (—)2,61 | | |
| 66,26,29 | 4,27,72 | (—)1,03,39 | 32,61 | (—)70,78 | | *Includes Rs. 78,89,333 loan from Govt. of Madras. |
| 3,23,76 | 37,04 | (+)62,41 | 8,80 | (+)71,21 | 11.4 | *Includes Rs. 25 lakhs for which shares are still to be allotted to Govt of India. |
| 14,22,37 | 1,25,87 | (—)95,50 | 66,10 | (—)29,40 | .. | *Includes Rs. 80 lakhs for which shares are still to be allotted to Govt. of India. |
| 41,11,31 | 13,22,22 | (+)1,25,56 | 94,82 | (+)2,20,38 | 3.07 | *Including assets worth Rs. 38.88 lakhs taken over from the various collieries for which shares still remain to be issued. |
| 1,85,30 | 29,71 | .. | .. | .. | .. | Incidental expenses amounting to Rs. 79.16 lakhs during construction for the year ending 31-3-63 have been capitalised. |
| 126,69,03 | 19,42,56 | (—)10,92 | 2,02,33 | (+)1,91,41 | | |
| 7,19,19 | 1,97,70 | (+)2,15,77 | 12,25 | (+)2,28,02 | 19.8 | *Includes Rs. 1.5 crores for advance for capital from Central Government. |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| 43 | Fertilizer Corporation of India Ltd. . . | 1-1-61 | 42,08,14* | 30,45,85 | 1,88,69 | 74,42,68 |
| 44 | Heavy Electricals (India) Limited . . . | 29-8-56 | 26,49,93* | 25,70,25 | .. | 52,20,18 |
| 45 | Heavy Engineering Corporation Ltd. . . | 31-12-58 | 51,65,00 | 5,00,00* | .. | 56,65,00 |
| 46 | Hindustan Steel Limited | 19-1-54 | 367,00,00 | 357,10,03 | .. | 724,10,03 |
| | TOTAL | | 495,29,07 | 421,00,73 | 2,61,89 | 918,91,69 |
| | GRAND TOTAL | | 743,27,61 | 526,76,55 | 24,06,39 | 1294,10,55 |
| | Figures for 1961-62 | | 614,96,87 | 459,41,44 | 16,36,66 | 1090,74,97 |
| | Figures for 1960-61 | | 536,94,24 | 372,27,85 | 11,20,51 | 920,42,60 |

SUBSIDIARY

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | Pyrites and Chemicals Development Company Limited . . . | 22-3-60 | 35,00 | .. | .. | 35,00 |
| 2 | Handicrafts & Handlooms Export Corporation of India Limited . . | 11-4-58 | 12,00 | .. | 5 | 12,05 |

| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|---|---|---|---|---|---|---|
| 49,66,60 | 28,44.09 | (+)1,50,70 | 86,42 | (+)2,37,12 | 3·2 | *Includes Rs. 45 lakhs as advance paid by Govt. of India towards equity shares. |
| 25,43,60 | 3,30,78 | (—)4,33,57 | 1,09,85 | (—)3,23,72 | | *Includes Rs. 4,93,000 as advance from Central Govt. awaiting allotment of shares. |
| 48,70,15 | 48,19 | .. | .. | .. | | *Terms of loan not yet settled. Expenditure of Rs. 2,57,25,209 incurred during the year is pending in allocation. |
| 543,64,91 | 86,00,76 | (—)23,90,79 | 17,81,70 | (—)6,09,09 | | |
| 679,64,45 | 120,21,52 | (—)24,57,89 | 19,90,22 | (—)4,67,67 | | |
| 876,64,49 | 168,34,85 | (—)12,38,22 | 23,20,21 | (+)10,81,99 | | |
| 762,82,65 | 116,79,34 | (—)10,60,38 | 2,95,13 | (—)7,65,25 | | |
| 607,68,50 | 57,02,09 | (+)6,33,60 | 2,18,71 | (+)8,52 31 | | |

COMPANIES

| | | | | | | |
|---|---|---|---|---|---|---|
| 21,05 | 84 | (—)4,03 | .. | (—)4,03 | | Subsidiary to National Industrial Development Corporation Limited. |
| 3,12 | 66 | (—)6,75 | 4 | (—)6,71 | | Subsidiary to State Trading Corporation of India Limited. |

# ANNEXURE 'C'

STATEMENT GIVING THE DETAILS OF THE SUBSIDIES RECEIVED BY THE COMPANIES UPTO 31ST MARCH, 1963.

| Name of the Company | Subsidy received during 1962-63 | Total Subsidy received upto 31-3-1963 | Purpose of the subsidy | Remarks |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) |
| | Rs. | Rs. | | |
| 1. Fertilizer Corporation of India Ltd. | 3,10,390 | 3,10,390 | Rs. 2,50, 390 for Industrial Housing Scheme for Nangal Unit.<br>Rs. 60,000/- received from Assam Govt. against stipend trainees. | From Punjab Govt. |
| 2. Hindustan Machine Tools Ltd. | .. | 45,200 | Not known. | |
| 3. National Research Development Corporation of India. | 67,500 | 67,500 | To cover interest on Govt. of India Loans | Subsidy receivable Rs. 56,083 as on 31-3-63. |
| 4. Heavy Electricals (India) Ltd. | 40,000 | 40,000 | For Hospital maintenance | Received from M.P. State Government. |
| 5. Indian Telephone Industries Ltd. | .. | 2,82,500 | For Industrial Housing Scheme. | |
| 6. Hindustan Aircraft Limited | .. | 2,70,000 | For Industrial Housing Scheme. | |
| 7. Hindustan Shipyard Ltd. | 91,16,753 | 8,27,19,472 | For meeting operation deficit. | |
| 8. National Industrial Development Corporation Limited | 11,19,571 | 54,34,105 | For meeting operation deficit. | |
| 9. State Trading Corporation of India Limited | .. | 6,43,946 | (*i*) Rs. 2,00,000 for meeting preliminary expenses in regard to the setting up of the STC as a limited concern. | |

| | | | |
|---|---|---|---|
| | | | (*ii*) Rs. 32,298 for meeting expenses pertaining to Corporation's participation in the Chicago Fair 1959.<br>(*iii*) Rs. 11,648 for meeting expenses pertaining to Corporation's participation in the New York Fair.<br>(*iv*) Rs. 2,50,000 for organisational expenses in respect of HEO for the period January, 1959 to March, 1960.<br>(*v*) Rs. 1,50,000 for organisational expenses in respect of HEO for the period for April, 1960 to December, 1960. |
| 10. National Coal Development Corporation Limited . . . . . . | 73,23,112 | 74,58,751 | (*i*) Rs. 19,09,821 for sand-stowing.<br>(*ii*) Rs. 33,50,853 for difficult mining.<br>(*iii*) Rs. 18,54,445 for Gassy mining.<br>(*iv*) Rs. 2,07,993 for Hospitals. |
| 11. National Small Industries Corporation Ltd. . | 42,84,918 | 2,28,67,648 | (*i*) Rs. 40,00,000 for promotional activities.<br>(*ii*) Rs. 9,200 for meeting the expenses on Nepal Trainees.<br>(*iii*) Rs. 2,75,718 in lieu of concessional rate of interest. |
| TOTAL . . | 2,22,62,244 | 12,01,39,512 | |

## ANNEXURE 'D'

STATEMENT SHOWING THE DIVIDEND PROPOSED/DECLARED DURING 1962-63

(Figures in thousands)

| Name of the Company | Amount of dividend | Paid up capital |
|---|---|---|
| | Rs. | Rs. |
| 1. Hindustan Insecticides Ltd. . . . . . . | 5,82 | 97,00 |
| 2. National Instruments Ltd. . . . . . . | 1,82 | 1,05,96 |
| 3. Hindustan Cables Ltd. . . . . . . . | 8,23 | 1,60,47 |
| 4. State Trading Corporation of India Ltd. . . . | 20,00 | 2,00,00 |
| 5. Indian Rare Earths Ltd. . . . . . . . | 4,50 | 1,00,00 |
| 6. Travancore Minerals Ltd. . . . . . . | 2,50 | 50,00 |
| 7. Ashoka Hotels Ltd. . . . . . . . . | 11,62 | 1,50,00 |
| 8. Indian Telephone Industries Ltd. . . . . | 16,00 | 4,00,00 |
| 9. Hindustan Machine Tools Ltd. . . . . . | 62,31 | 8,06,00 |
| 10. Hindustan Antibiotics Ltd. . . . . . . | 15,45 | 2,47,26 |
| 11. Mogul Line, Ltd. . . . . . . . . | 6,07 | 1,01,19 |
| TOTAL . . . | 1,54,32 | 24,17,88 |

# V. ASHOKA HOTELS LIMITED

The Government of India with two other promoters floated the Ashoka Hotels Ltd. with an authorised capital of Rupees 1 crore, on the 17th of October, 1955. The authorised capital was later increased to Rs. 150 lakhs, and the respective holdings of the principal shareholders as on 31st March, 1963 were as below:—

(Rs. in lakhs)

| | Total | Preference | Equity |
|---|---|---|---|
| Govt. of India . . . . . . . | 134·15 | 94·74 | 39·41 |
| Others . . . . . . . . . | 15·85 | 5·26 | 10·59 |
| | 150 00 | 100·00 | 50·00 |

In addition, the Company has taken long-term loans from the Government of India amounting to Rs. 32 lakhs.

2. *Agreement.*

(a) *Non-acceptance of the lowest tender for the construction of the Hotel.*—(i) Tenders for the construction of the main block of the Ashoka Hotel at an approximate cost of Rs. 60 lakhs were invited on the 6th August, 1955. In the absence of detailed estimates or schedules of items in support of the cost of the building, the tenderers were required to quote a percentage above or below the 1950 C.P.W.D. Schedule of Rates then prevalent. The lowest tender received was 1/7 per cent. below the schedule of rates. Negotiations were, however, conducted with the highest tenderer who had quoted 12½ per cent. above the 1950 schedule of rates and finally he reduced his quotation from 12½ per cent. to 2 per cent. and the work was given to him.

It has been explained by the Ministry that the high quality of performance by this tenderer on an important local work (*viz.*, the Reserve Bank of India) probably weighed with the management in accepting the higher rates. But the lowest tenderer was also a reputable firm who had earlier constructed a number of public buildings at Delhi including the Supreme Court Building and Udyog Bhawan (Phases II and IV). The non-acceptance of the lowest rate resulted in an extra expenditure of Rs. 3,26,000 approximately on the final cost.

(ii) Out of the actual cost of the main Hotel amounting to about Rs. 1·20 crores, an expenditure of about Rs. 50 lakhs was on account of a large number of extra items, not covered by the C.P.W.D. rates, but paid for at special *ad hoc* rates fixed by the architect. As some of these rates were considered to be on the high side, the management referred items valued by the architect at approximately Rs. 30 lakhs to the planning circle of the C.P.W.D. for scrutiny of the rates. The Chief Engineer, C.P.W.D. found that some of these rates were excessive and he felt that a sum of Rs. 5 lakhs had been paid in excess to the contractor. On receipt of this opinion discussions were held by the management with the C.P.W.D. and the management noticed that there were divergencies between the Architect's conception of the quality and speed he had desired on the works and that by the C.P.W.D. who had no current work of the like nature on hand. The management decided as an *ad hoc* measure to recover Rs. 77,490 from the contractor as offered by him to secure a settlement.

(b) *Extra contractual payment of Rs. 1,21,322 due to Height Factor.*—Clause 1 of the agreement with the Building contractor provided that all the conditions given in the tender notice would form a part of the contract. One of the conditions of the tender notice was that the rates would be applicable to all heights and depths. It was, however, observed that the contractor had claimed and was paid a sum of Rs. 1,21,322 extra for height factor on cost of Reinforced Cement Concrete work above plinth.

The management have explained that originally it was their intention to build the hotel upto 4 floors only; and it was only later that the decision to build the hotel upto 6 floors was taken. This, however, is not borne out by the records. The line plan of the building attached to tender notice indicated basement, ground floor and 6 floors above. The draft tender notice and drawings attached to the agreement drawn on the 5th May, 1956 also confirm that the building comprised 6 floors. Hence the payment of Rs. 1,21,322 to the contractor does not seem to be justified.

(c) *Octroi on steel and cement consignment.*—According to the terms of agreement with the building contractor, cement and steel were to be supplied by the Hotel management at specified rates loaded in wagons at local railway stations. The contractor was to bear all subsequent incidental charges. The contractor, however, claimed from time to time in his bill octroi charges paid by him on such consignments. A sum of Rs. 13,488 was paid on account of such octroi to the building contractor upto the 29th February, 1956. It appears that similar payments of octroi charges were made by the Hotel later also for which no detailed accounts were produced to audit.

(d) The points mentioned in a(ii), (b) and (c) above pertain to a single contractor, a part of whose dues was withheld on the advice of the Chief Technical Examiner. The contractor filed a suit for the recovery of Rs. 2,26,663 and the matter was referred to arbitration. The arbitrator gave an award for Rs. 95,000 in favour of the contractor, which was paid on 26-11-1963.

3. *Loss of Rs.* 12,750 (*approx.*) *on steel supply.*—Two consignments of steel required for the construction were despatched at Railway risk in the year 1955-56 by the suppliers. These were found short in quantity on reaching the destination. In one case the Railways issued a short certificate for 780 pieces of steel valuing Rs. 6,721 but did not hold themselves responsible for the loss on the ground that the consignments were loaded by the sender in their factory siding and the contents were neither counted nor supervised by the Railways. The Railway Receipt had the endorsement "said to contain".

In the other case the Railways did not issue certificate for short receipt of steel amounting to 9 tons 9 Cwt. 2 Qrs. 117 lbs. valuing Rs. 6,029 on the ground that the packing was not in accordance with the Railway specifications and no sign of tampering with the consignment was observed at the time of delivery.

The supplier also refused to accept the claim since they were of the view that the goods were duly counted before loading and further contended that the reported shortages occurred in transit. The Company did not file a suit against the Railways as the suit was time-barred, and it had also to be proved that the negligence was on the part of the Railways and which, according to their legal adviser, was difficult. The Board of Directors ultimately decided on 2nd August, 1960, to write off the shortages of steel amounting to Rs. 12,751.

4. *Sundry Debtors.*—The position of Sundry Debtors as on the 31st March, 1963 is as follows:—

| Sl. No. | Name of the Party | Outstandings Under 6 months | Outstandings Over 6 months | Total as on 31-3-1963 |
|---|---|---|---|---|
| | | Rs. | Rs. | Rs. |
| 1. | Government parties | 1,33,289 | 1,11,316 | 2,44,605 |
| 2. | Embassies, etc. | 24,860 | 44,550 | 69,410 |
| 3. | Travel Agents | 2,02,297 | 96,118 | 2,98,415 |
| 4. | Private companies | 1,73,055 | 1,60,301 | 3,33,356 |
| 5. | Individuals | 61,721 | 88,605 | 1,50,326 |
| 6. | Staff | 4,159 | 7,585 | 11,744 |
| 7. | Current Billing | 1,28,320 | .. | 1,28,320 |
| | TOTAL | 7,27,701 | 5,08,475 | 12,36,176* |

*As per Balance Sheet the total outstandings as on 31-3-1963 are Rs. 12,17,425. The difference is on account of credit adjustment of Rs. 16,715 and defference of Rs. 2,036 pending reconciliation with Control Ledger Account.

Debts outstanding for over 6 months come to 41 per cent. of the total arrears to be collected.

The Company Auditors have observed that in respect of major debtors who are old and containing disputed transactions, no reconciled statement of accounts were sent during the year for getting their confirmation.

It has also been reported that a sum of Rs. 2·72 lakhs is considered doubtful of recovery during the year 1962-63 as against Rs. 1·44 lakhs in the previous year. The following reasons have been attributed for the doubtful debts: —

(i) Parties are denying the identity of the persons supposed to have stayed in the hotel.

(ii) Bills were not supported with coupons or hotel deposits receipts in the case of Travel Agents.

(iii) The parties allege dummy bookings on their behalf made by others.

(iv) Failure to give necessary particulars regarding booking etc. asked for by the parties.

(b) *Loss of Rs.* 17,294 *in respect of licence fees etc.*—In the year 1956 the Ashoka Hotels Ltd., accepted the offer of Messrs. Globe Travels Private Ltd., to run the business of travel agents on the Hotel premises paying Rs. 12,000 per annum as licence fees. The firm carried on their business in the premises from 1st November, 1956 to 31st August, 1959, but never paid their dues in time and paid for the first time Rs. 6,000 on the 9th July, 1958 against the accumulated dues of Rs. 20,000 upto the 30th June, 1958. A sum of Rs. 30,494 (Rs. 24,000 in respect of licence fees and Rs. 6,494 in respect of guests sponsored by them) was due from them on the 31st August, 1959.

It has been stated by the management that in spite of repeated reminders the party did not come forward to pay the dues and as a result legal notice was served on them on the 22nd August, 1960. By mutual understanding between the parties the matter was referred to the Housing Commissioner to the Government of India as sole arbitrator. The arbitrator gave an award of Rs. 13,200 in favour of the Hotel on the 23rd May, 1962 and permitted the travel agents to pay the dues by monthly instalments of Rs. 300 for the period of 12 months commencing from 1st July, 1962 and thereafter at the rate of Rs. 800 per month until the full amount is paid. The travel agents have paid Rs. 6,000 upto September, 1963 and have defaulted thereafter.

The loss to the hotel on this account is Rs. 17,294.

5. *Manufacturing and production accounts.*—The Hotel has not so far prepared a manual laying down the detailed procedure to be followed by the various departments. The Ministry have replied (December, 1963) that the Manual is at present under compilation in consultation with the Auditors.

6. *Embezzlement.*—There was an embezzlement of cash amounting to Rs. 10,058 (Rs. 9,152 by short deposit of cash sales and Rs. 906 on account of 293·9 gallons of petrol sold but not accounted for) made by the clerk-in-charge of the petrol pump run by the Hotel during the period 1st April, 1959 to 25th December, 1959.

The cash sale proceeds were not deposited in the bank regularly and the cash realised from sales was temporarily withheld by the person-in-charge of the pump. The records of the petrol pump, which were not maintained properly, were not checked regularly either by the Clerk-in-charge or the shift attendant. The sales for the period from 1st April, 1959 to 20th July, 1959 were not capable of verification as no entries were made while handing and taking over. The progressive readings of meter as shown in the rough Sales Register were never verified. The matter is stated to be sub-judice.

7. *Financial Results.*—The Financial Results of the Hotel for the last three years are given below:—

(Figures in lakhs)

| | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| 1. Paid up capital | 150·00 | 150·00 | 150·00 |
| 2. Loans (at the close of the year) | 87·50 | 50·50 | 32·00 |
| 3. Free Reserves (at the beginning of the year) | 13·67 | 13·86 | 15·18 |
| 4. Total capital employed (Total of 1, 2 and 3) | 251·17 | 214·36 | 197·18 |
| 5. Total income | 91·91 | 104·16 | 107·48 |
| 6. Total expenditure | 65·96 | 70·74 | 75·26 |
| 7. Profit as per Profit and Loss Account | 25·95 | 33·42 | 32·22 |
| 8. Interest on loans | 5·45 | 3·48 | 2·01 |
| 9. Total Return (Total of 7 and 8) | 31·40 | 36·90 | 34·23 |
| 10. Percentage of total return on total capital employed | 12·5% | 17·2% | 17·4% |

The Chartered Accountants in their Supplementary Report on the accounts for 1962-63 have pointed out as follows: —

(a) In most of the movements lists (booking lists) that are being prepared daily, no definite allotment of rooms is being made for the guests. This reveals that the reservation department is not able to precisely allocate rooms probably because they are not sure about the vacancy of each room. So long as Reservation Department cannot pin point the rooms vacant or occupied there are likelihood not selling all the vacant rooms though there may be demand for them.

(b) Wide variations have been noticed between the actuals and the budgetted figures for 1962-63. The budget for 1963-64 has been prepared on the basis of average occupancy of 325 per day where as the average occupancy of previous 2 years were 367 and 368 respectively.

(c) The Company Auditors have also reported that the following suggestions made in their report for 1961-62 have not yet been implemented.

(i) The consumption of stores is arrived at by deducting the closing stock at the end of the year from the sum total of opening stock and purchases and no reconciliation statement is prepared between the actual consumption and the consumption arrived at by the above method. It has been suggested that consumption statement should be independently made out based on indents at the end of each month and journalised.

In regard to Engineering Stores it has been reported that in many cases where replacements parts are issued the old parts which have a saleable value are not being returned to the stores.

(ii) As regards the maintenance of the Building, Sanitary and Electric Fittings perhaps it would be useful to have a record in respect of each room etc. as to show the dates on which painting, white-washing repairs to sanitary and electric fittings were done.

## VI. PRAGA TOOLS CORPORATION LIMITED

The Praga Tools Corporation Limited, Hyderabad was incorporated as a Public Limited Company on 28th May, 1943, with an authorised share capital of Rs. 100 lakhs by local entrepreneurs with foreign technical assistance, for the manufacture of high speed cutting tools and measuring instruments. On 31st March, 1959 the Company became a Government Company, when the Central Government acquired for cash 2,00,000 shares worth Rs. 70 lakhs (51·5 per cent. of the paid-up share capital).

On 31st March, 1963 the Company had a paid-up capital of Rs. 150·54 lakhs. Of this, shares worth Rs. 83·64 lakhs were held by Government of India, Rs. 47·57 lakhs by the Government of Andhra Pradesh and Rs. 18·35 lakhs by private parties, the balance of Rs. 0·98 lakhs being forfeited shares. The Company also had on this date a secured loan of Rs. 20 lakhs advanced by Government of India against mortgage of fixed assets. The mortgage deed is still to be executed (December, 1963).

2. *Production and Targets.*—The Company commenced production in October, 1945. Ever since no annual quantitative targets have been fixed. Without fixing the quantitative targets based on rated capacity and standards of production, the management will not be able to have effective control on the utilisation of men and machines or to assess efficiency. Such targets have, in fact, been fixed from year to year in another similar concern.

The following are the year-wise figures of total cost of production for four years ending 1962-63 and the total value of production targets:—

(Rupees in lakhs)

| | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|---|
| 1. Machine Tools | 7·00 | 10.46 | 20·97 | 17·31 |
| 2. Machine tools accessories | 8·83 | 11·41 | 20·76 | 25·45 |
| 3. Measuring and Cutting tools | 2·66 | 4·99 | 5·68 | 6·24 |
| 4. Auto and Diesel spares | 5·40 | 6·17 | 11·90 | 11·51 |
| 5. Railway duplicates | 16·44 | 15·01 | 8·51 | 13·36 |
| 6. Miscellaneous | 0.18 | 0·22 | 0·21 | 0·87 |
| Total actual production | 40·51 | 48·26 | 68.03 | 74·74 |
| Total production target | 60·00 | 73·00 | 105·00 | 126.00* |
| Percentage of actual production to production target | 67·5% | 66% | 64·8% | 59% |

*This figure was revised to Rs. 92 lakhs in May, 1962 on the basis of rationalised production programme.

Although the total production in terms of money showed an upward trend during the period 1959-60 to 1962-63, the percentage of total cost of actual production to the target in terms of money declined gradually upto 1961-62. The management has replied that the targets were fixed on an *ad-hoc* basis and an analysis of the shortfall is not possible now.

3. *Expansion programme.*—In order to ensure better co-ordination and maximum utilisation and productivity of the existing plant and machinery, as also to manufacture additional items of machinery, tools and accessories, the Government of India set up a working group in July, 1957 to recommend a production programme for the company and the reorganisation of its existing shops. The working group observed in September, 1958 that the overall working and financial position of the company had been far from satisfactory. A number of new items of manufacture had been taken up, apparently without any co-ordinated long range planning, which had not been conducive to efficient and economical working of the factory. In order to overcome these difficulties, a gradual changeover of the manufacturing programme, re-organisation of shops and production of the latest machine tools with foreign collaboration was recommended. The Government of India sanctioned an expenditure of Rs. 123 lakhs in 1960-61 for the expansion programmes for the manufacture of lathe chucks, drill chucks, tool and cutter grinders and milling machines, and in pursuance thereof, technical collaboration agreements were entered into with foreign companies. In the case of lathe chucks, according to the agreement with the foreign collaborators, the Project was to be completed by June, 1963. It was stated in January, 1964 that the Company is still in correspondence with the High Commissioner of India, London, on the question of purchase of necessary machines. The project is now expected to be completed by June, 1965.

4. *Cost.*—The cost Records of the Company mainly consist of Cost Sheets and monthly Abstracts of Materials and Labour. No separate Cost Ledgers are maintained by the Costing Department.

The Cost Sheets show the prime cost of products and the manufacturing over-heads, the latter being allocated at varying percentages on the direct labour cost. No allocation is made for administration and Selling and Distribution over-heads, but these are generally estimated at 25 per cent. of the selling price.

A test check of the special job accounts of the Company for 1961-62 revealed substantial losses on account of the production costs being higher than the selling prices. The details of certain items are given below:—

| Description | Qty. | Actual Cost | Selling price | Loss per piece | Total loss |
|---|---|---|---|---|---|
| | | Rs. | Rs. | Rs. | Rs. |
| Forging for spare tools post to DRG . . . . | 100 | 33·52 | 13·65 | 19·87 | 1,987 |
| Slide forging Blank to DRG . | 60 | 63·40 | 27·55 | 35·85 | 2,151 |
| Forging for pull Rod Head . | 2400 | 10·87 | 9·15 | 1·72 | 4,128 |

These losses are stated to be due to the preparation of inaccurate estimates, poor performance in the shops and surplus labour. During 1962-63 the company incurred a loss of Rs. 11,441 on the special jobs.

It would also be interesting to note that a number of work orders opened in 1953 for the manufacture of certain milling machines, have not yet been closed though these jobs were completed and the machines were sold.

5. *Idle Machine Capacity.*—A survey of the utilisation of the machines in the factory was made by an officer of the Combined Technical Services in September, 1957 which revealed that the overall utilisation of machinery was only 40 per cent. This position was again surveyed a year later by the then General Manager who also noticed that the position had not improved and the idle capacity continued to be about 60 per cent. The main reasons assigned by him were, want of operatives, materials and tools, overlapping of shifts and machinery, break-down, etc. The position of the utilisation of machines during 1961-62 was between 45 and 60 per cent.

In this connection, it is interesting to note that the Company paid a sum of Rs. 35,285 during the period from 1st July, 1959 to 31st March, 1960 as idle time wages, out of which Rs. 25,385 has been attributed to avoidable factors, *viz.*, waiting for jobs, materials and tools. This expenditure is about 11 per cent. of the basic wages. The idle time wages has been on the increase, as would be evident from the following statement:—

| Year | Basic idle time wages | Estimated proportionate D.A. | Total |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| 1959-60 . . . . . . . . | 35,285 | 13,571 | 48,856 |
| 1960-61 . . . . . . . . | 77,092 | 29,650 | 1,06,742 |
| 1961-62 . . . . . . . . | 47,327 | 18,203 | 65,530 |
| 1962-63 . . . . . . . . | 55,950 | 28,692 | 84,642 |

6. *Purchase of machines.*—Out of the total plant and machinery of Rs. 88·69 lakhs (original value), plant and machinery worth Rs. 47·15 lakhs or 54 per cent. is surplus to the requirements on 31st March, 1963. A few instances of machinery lying unused are given below:—

(a) 74 machines of different types were purchased at a cost of Rs. 9·04 lakhs during the years 1944 to 1959. These machines have been lying idle ever since their purchase.

(b) 22 machines of different types (valuing Rs. 18·48 lakhs) were purchased between December, 1960 and August, 1962. All these machines are lying idle. Besides, 50 machines at a total cost of Rs. 14·50 lakhs were imported between March, 1962 to February, 1963 on an *ad hoc* basis in anticipation of the acceptance of the Project prepared by foreign experts. So far, only 22 such machines (value Rs. 5·75 lakhs) only have been used, and 28 machines (value Rs. 8·75 lakhs) have not been brought into use.

(c) During 1959, 4 electrol furnaces valuing Rs. 66,258 were rendered surplus and their disposal was taken up. When the deal for the disposal was in final stages (in May, 1961), a decision was taken to retain these machines for use. However, none of the machines have been put to use so far. It has been stated that these machines are likely to be utilised in the forge shop which is to be set up in collaboration with foreign experts.

(d) Besides the above, a number of machines to the total value of Rs. 10·88 lakhs were declared surplus in early 1962 although they were purchased only after March, 1961.

Apart from blocking of funds and consequent loss of interest, such machinery is likely to deteriorate due to efflux of time and obsolescence. The management, who originally decided to dispose of the surplus machines, have taken a general decision lately to go slow with the disposal, as they were not sure what type of work the company will have to undertake during the emergency.

7. *Selling Agency Agreement*

(a) *Selling Agents.*—The Company has a Sales Department under the Commercial Manager and a Sales Officer but the sales are effected through two firms of sole selling agents with whom the Company has entered into agreements.

The Company appointed a firm in October, 1949 as their selling agents for standard items, except Grinding Machines. The agreement has been extended from time to time upto December, 1962. Under the terms of the agreement (a) all standard products of the Company would be marketed through the agents on a commission of 15 per cent. on sales to customers other than the Government Department; (b) 7½ per cent. commission was payable on sales to Government departments; and (c) no commission was payable on Directorate General, Supplies and Disposals orders, which were handled direct by the Company. The agreement with the firm was modified in December, 1962 at a flat rate of commission of 11½ per cent. including sales to Government Departments and companies, except orders placed on the Company direct by the Defence Organisation. This arrangement has resulted in an unnecessary payment of commission to the agents for the orders of Government and Government Companies which could well be received direct by the Company. During the last two years the following amounts of commission were paid to Agents, in respect of the sales effected to Government Companies and other Government Departments—

| | Sales | Commission to agents |
|---|---|---|
| | Rs. | Rs. |
| 1961-62 . . . . . | 11,61,040 | 95,236 |
| 1962-63 . . . . . | 14,97,795 | 1,32,621 |

(b) *Residential Representatives.*—In addition to the selling agents the Company appointed resident representatives at Bombay, Madras and New Delhi on the following terms:—

| Name of station | Remuneration | Date of appointment |
|---|---|---|
| 1. Bombay . . . | Rs.1,200 per annum. Allowed Rs. 2,500 p.a. from 1951. | 1-10-1949 |
| 2. Madras . . . | Rs. 3,000 per annum including conveyance charges. | 4-1-1959 |
| 3. New Delhi . | 1% commisson non sales plus Rs. 6,000 for office allowance per annum. | 1-10-1953 |

The terms of appointment of the Delhi representative were revised in 1959 and a fixed amount of Rs. 1,000 per month was sanctioned. The arrangement of having Resident representatives was terminated in all cases in May, 1962.

According to the management, the work of the resident representatives consisted of liaison work with customers and Government Departments and certain other miscellaneous work. The Company have stated that the duties assigned to these representatives were in no way connected with the promotion of sales and their services were terminated as a measure of economy. Since the sole selling agents were appointed to look after the promotion of sales and realisation of dues, the necessity for the appointment of representatives in addition, during the period in question is not apparent.

The total amount spent over these resident representatives in each of these places is given below:—

| | Rs. |
|---|---|
| Bombay . . . . . | 28,958 |
| Madras . . . . . | 10,225 |
| New Delhi . . . . | 1,61,265 |

8. *Sale price.*—The Company has not laid down any procedure for determining the sale price of its products. The management have stated that the selling price of standard products are fixed by negotiations subject to market conditions.

From the following details it would be seen that there has been a constant decline in the profits earned since 1958-59 and that during 1961-62 the Company incurred a loss of Rs. 3·26 lakhs.

(Figures in lakhs of rupees)

| | 1958-59 | 1959-60 | 1960-61 | 1961-62 |
|---|---|---|---|---|
| 1. Cost of goods sold . . . . . | 56·92 | 37·20 | 55·65 | 67·92 |
| 2. Add packing, selling and distribution expenses . . . . . . | 10·84 | 7·35 | 9·28 | 12·98 |
| 3. Total cost . . . . . . | 67·76 | 44·55 | 64·93 | 80·90 |
| 4. Selling price realised . . . . . | 73·34 | 47·89 | 67·15 | 77·64 |
| 5. Margin of profit . . . . . | 5·58 | 3·34 | 2·22 | (—)3·26 |
| 6. Percentage of profit on sales . | 7·64 | 6·96 | 3·31 | (—)4·18 |

9. *Stock.*

(a) *Finished Stock—Rs.* 9,37,439.—The finished stock includes old items valued at Rs. 3·73 lakhs, lying unused for long periods some of them since 1958. The Finance-*cum*-Technical Sub-committee, who looked into the matter, had concluded that the production was not properly planned in the past, with the result that a large number of finished goods lying in stock have now been rendered unsaleable and may have to be written off.

(b) *Work-in-progress.*—The work-in-progress has been shown in the accounts at cost, although it contains many items, not completed for a considerable period. The management submitted a note to the Board in May, 1962 recommending scaling down of the value of the work-in-progress from Rs. 27·98 lakhs to Rs. 18·66 lakhs indicating that the work-in-progress has been overvalued by Rs. 9·32 lakhs, since it was felt that the value of the work-in-progress on disposal might be considerably less than what has been shown in the books. The Board appointed a Finance-*cum*-Technical Sub-Committee to examine the matter in detail and the Sub-Committee felt that no provision for this loss need be made in the accounts so long as old components were in stock. They further advised that the progress of the utilisation of these components from year to year be watched and a decision taken every year on merits to write down the value of such components as may be necessary and that the adjustment of loss should be of the order of Rs. 2 lakhs a year in order to gradually off-set the accumulated obsolescence.

No physical verification of the work-in-progress was done until the year 1961-62. Though no detailed inventories of items verified are available, it has been seen from the records that actual physical stock of work-in-progress as on 31st March, 1962 amounted to only Rs. 19·09 lakhs against the book value of Rs. 27·47 lakhs. In the Accounts for the year 1962-63 the work-in-progress was, however, shown at the book value of Rs. 27·59 lakhs. The question of adopting a suitable method for the proper valuation of such items is stated to be under consideration and the Directors propose to review the basis of valuation during 1963-64. Meanwhile, certain items valuing Rs. 3·66 lakhs included in above work-in-progress were disposed of in 1963-64 at Rs. 2·5 lakhs resulting in a loss of Rs. 1·16 lakhs.

10. *Infructuous expenditure on the purchase of land.*—For Expansion Programme, the Company selected a site near Moula Ali Railway Station in May, 1960 and incurred an incidental expenditure of Rs. 44,115 on its acquisition. Subsequently the following difficulties were noticed:—

(a) The acquisition price was expected to go up from Rs. 2·5 lakhs to Rs. 4 lakhs.

(b) The Electricity Authorities demanded a heavy amount by way of guarantee for the electrification of the area.

(c) The area being situated outside the Municipal limits, there was difficulty in arranging suitable residential accommodation for the staff as well as for the extension of water supplies.

As a result, the Corporation surrendered the acquired land. The lack of proper planning and making proper enquiries about availability of the essential requirements before the incidental expenditure was incurred resulted in an infructuous expenditure of Rs. 44,000 approximately.

11. *Loss of Rs.* 40,000 *in the manufacture and delay in supply of valves.*—In June, 1955 the Company received an order from Madras for supplying 48,000 valves, at the rate of 8,000 valves per month commencing from October, 1955. The Corporation, however, could only supply 7,074 valves upto 17th August, 1957 with the result that the purchaser cancelled the order for the remaining quantity. They also rejected 1,568 valves, which were not upto the agreed specifications. The Corporation was thus left with 38,700 partly processed and 1,568 rejected valves costing Rs. 71,075. These valves were disposed of for Rs. 31,070 in June, 1959. The Corporation has stated that the manufacture of the valves was taken up as an experimental measure and when it was realised that this could not be progressed in their plant, due to uneconomical cost of manufacture the work was given up. The loss incurred on this item was Rs. 40,000.

12. *Accounting Manual and Internal control.*—The Management has not so far undertaken the preparation of an Accounting Manual to lay down detailed procedures to be followed. The Company had in vogue a system of Internal Audit, but the same was discontinued from 1st April, 1962.

13. *Financial results.*—(a) The Company had accumulated losses to the extent of Rs. 30,64,039 by the year ending 31st January, 1958. During the year 1958-59, the capital structure was changed and the loss was reduced by a sum of Rs. 20,64.570 to Rs. 9.99,469 by writing down the share value from Rs. 50 per share to Rs. 35.

The following are the financial results and figures of profits and losses earned by the Company since it was taken over by the Government of India:

| Year | Profit Rs. | Loss Rs. |
|---|---|---|
| Year ending 30-6-1959 (after reconstruction) . . . . . . . | 4,91,952 | .. |
| 1st July, 1959 to 31-3-1960 . . . | 3,44,899 | .. |
| 1960-61 . . . . . | 3,15,141 | .. |
| 1961-62 . . . . . | .. | 4,34,373 |
| 1962-63 . . . . . | 34,382 | .. |

As on 31st March, 1963 the Company had an accumulated loss of Rs. 3·72 lakhs.

(b) *Issue of Share Certificates.*—A number of share certificates were issued either as duplicate or as 'splits' of the originals without withdrawing the original share certificates at the time when the Company was under private management. These came to notice after the management of the Company came over to Government. The matter was reported for investigation to the Police on 3rd January, 1957, who confirmed this irregularity and also recovered and passed on a number of spurious duplicate share certificates to the Company. In this connection, one case was also filed in the Court and the Company was held responsible for the loss and was required to pay a sum of Rs. 2,688 as damages to the share-holders in addition to the cost of petition. The case is, however, subjudice as the Company has obtained a stay order. Other such cases are under investigation.

The management have stated that they have issued individual notices to the share-holders as per the Register of Members to surrender the old share certificates and steps are being taken to issue the new share certificates in lieu of the old ones.

(c) *Annual Budget.*—The Company had no system of preparing their annual budget to plan their income, expenditure and ways and means position *vis-a-vis* the planned production. It is understood that a skeleton budget was prepared for the first time in the year 1962-63, giving only the annual estimates of the expenditure for the year.

(d) *Sundry Debtors.*—The debts due to the Company on 31st March, 1963 amounted to Rs. 10,65,671. Debts amounting to Rs. 55,366 have been outstanding for more than four years and Rs. 2,19,901 for more than a year.

## VII. HEAVY ELECTRICALS (INDIA) LIMITED

With M/s. Associated Electrical Industries Ltd., as Consultants, the Heavy Electricals (India) Limited, was incorporated on the 29th of August, 1956 with an authorised capital of Rs. 30 crores. The Company started production with one unit at Bhopal in July, 1960.

In 1962-63 three more units were started one each at Hardwar, Hyderabad and Tiruchirapalli with foreign collaboration. These three units are in the initial stages of development.

The paid up capital of the Company as on the 31st March, 1963 was Rs. 26·50 crores. In addition, the Company has taken long term loans amounting to Rs. 2570 lakhs from (a) Government of India

(Rs. 2200 lakhs) (b) Morgan Greenfell Co. of London (Rs. 269 lakhs) and (c) Associated Electricals (India) Limited and BIC Cables Ltd. (Rs. 101 lakhs).

The ratio of long term loans to paid up capital is 100: 103.

2. *Agreement with the consultants.*—In paragraph 60(3) of the Audit Report, 1961, a case of excess payment of £ 6000 made to the consultants on account of reimbursement of payments to the subsidiary consultants was pointed out. In Para 35 of the Public Accounts Committee (Forty Second Report Vol. I) (Second Lok Sabha), the matter was required to be thoroughly investigated. The missing file of the Ministry is still not available and the results of the investigation are not so far available (January, 1964).

It has subsequently come to notice that another amount of £ 20,000 was in similar circumstances paid to the Consultants as reimbursement for the payment made to another subsidiary consultants for securing collaboration for hydraulic turbines.

(b) In the draft agreement with the consultants a lump-sum payment of £ 3,50,000 free of income-tax had been fixed. This amount was subsequently changed to £ 4 lakhs subject to tax. At the time the latter amount was fixed, it was thought that income-tax would have to be paid at 53 per cent. The actual tax charged by the Income-tax Department was, however, only 6¼ per cent or £ 25,000. Therefore, the net payment to the consultants was £ 25,000 more than what had been originally contemplated.

3. *Purchase Agency Agreement.*—(a) In 1958, a Purchase Agency Agreement was entered into with the consultants for the purchase of requirements of Plant and Equipment valued at £ 4 million. According to this agreement, the consultants were to receive Rs. 34 lakhs free of tax as their remuneration, as against Rs. 25 lakhs subject to tax namely 5 per cent F.O.B. price of £ 4 million as per original agreement of 1955 with the consultants. The reasons for varying the original terms are not known.

(b) A premium of Rs. 22·42 lakhs (approximately) was paid for credit insurance even though the letter of credit had been guaranteed both by the State Bank of India and the Government of India. For the guarantee given by the State Bank of India, the amount of Rs. 2 lakhs had already been paid as commission.

(c) In terms of Clause 4(d) of the Agreement, tenders for purchases were to be invited from at least six suppliers including one manufacturer outside the United Kingdom. A test check of

762 purchase orders valued at £ 35,96,490, however, revealed that 358 purchase orders of the value of £ 15,14,058 were decided on single tender basis.

4. *Estimates.*—The following table indicates the position of estimates of capital investment of the Bhopal Project from time to time and the actual expenditure incurred:—

(Figures in lakhs)

| Sl. No. | Description | As per offer of M/s. AEI (June '55) | As per project report (Nov. '56) | Revised (June '62) | Actual expenditure upto 31-7-63 | Remarks |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | Rs. | Rs. | Rs. | Rs. | |
| 1. | Factory building and works | 560·00 | 1136·00 | 1331·00 | 1184·03 | |
| 2. | Factory Services | 170·00 | 339·00 | 403·00 | 258·90 | |
| 3. | (a) Plant and Machinery | 860·00 | 1851·00 | 1851·00 | 1392·80 | Commitments to the extent of Rs. 220 lacs entered into in excess of sanctioned cost. |
| | (b) Customs Duty | Not provided | Not provided | 90·00 | | |
| | (c) Purchase agency agreement and credit arrangements | ,, | ,, | 113·00 | | |
| 4. | Lump sum payments to consultants | ,, | 54·00 | 54·00 | | |
| 5. | Cost of U. K. training | ,, | 100·00 | 100·00 | | |
| 6. | Furniture and Miscellaneous equipment | ,, | 45·00 | 45·00 | 228·19 | |
| 7. | Permanent Hostel for trainees | ,, | — | 41·00 | | Expenditure included against item 1 above. |
| 8. | Township | ,, | — | 900·00 | 885·47 | |
| | TOTAL | 1590·00 | 3525·00 | 4930·00 | 3949·39 | |

One of the main considerations for the acceptance of the offer of M/s. A.E.I. was that their estimates were more realistic. It would, however, appear from the above table that the estimates given by them in their offer went up considerably when they submitted the detailed project report. The variations have been stated to be due to the under-estimation of the buildings and non-inclusion of certain items in the original estimates. The increase in the cost of factory buildings and services in the revised estimates of June, 1962 has been stated to be due to the heavier cranes asked for by the technical consultants to suit bigger transformers and turbines proposed to be manufactured, increase in price which took place since 1955 and to the changes in the rates of customs duty. Another revised estimate is under preparation in order to provide for the increase in the cost of plant and machinery (out of which part is attributed to delay in placing orders).

5. *Delay in completion of the Projects.*—The original project report envisaged a rated production capacity of the value of Rs. 12·50 crores by 1969 according to the three phased programme drawn up in 1957-58. In 1959 the phased programme was again combined but priorities of production remained the same. In March, 1960 the entire annual output of the scheme was estimated at Rs. 25 crores with double shifts. It was also decided in December, 1961 that the range of manufacture of Hydraulic turbines, generators and transformers be pushed up from 50 MW units as originally envisaged to 150 MW units. This involved heavier cranage, heavier machine tools, higher range test equipment etc. and consequently changes in the design of construction works. As a result, output capacity is also expected to go up to about Rs. 30·95 crores.

The following table indicates the target date of completion of the various blocks as per Rs. 25 crores production scheme, the anticipated dates of completion and the date of commissioning:—

| Block No. | Target date as per Rs. 12·5 crores project. | Target date as per Rs. 25 crores project | Actual date of completion | Anticipated date of completion | Date of commissioning |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Block I—50% Water | July, 1960 | 50% Sept. 62 | December, 1962 | | |
| | | 100% Dec. 62 | April, 1963 | | |
| Turbines 100% | July, 1961 | | September, 1963 | | |
| | | | .. | 31-10-1963 } (a) | |
| | | | .. | 31-12-1963 } (a) | |
| *Block II—Heavy* | | | | | |
| Rotating 50% | July, 1960 | 50% Sept. 62 | .. | 30-11-1963 } (b) | |
| Plant and | | 100% Dec. 62 | .. | 31-12-1963 } (b) | |
| Industrial 100% | July, 1961 | | .. | 31-3-1964 } (b) | |
| Traction | | | .. | 30-6-1964 } (b) | |
| Motors | | | .. | 30-8-1964 } (b) | |
| | | | .. | 30-9-1964 } (b) | |
| | | | .. | 31-12-1964 } (b) | |

(a) In respect of bays 3 & 7
(b) In respect of bays 1 to 9

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| Block III—50% July, 1960 Transformers & Capacitors 100% July, 1961 | | 75% Jan. '61 100% July '63 | October, '60 June, 62 | | 1st two bays on 7-11-60 & rest by June, 1962. |
| Block IV—50% July 1961 Control gear 100% July, 1962 | | 100% Jan. '61 | July, 1960 March, 1961 | | July, 1960 to March, 1961. |
| Block V— Foundry. 100% July, 1961 | | 50% July, 60 100% July, 63 | August, 60 August, 62 | | August, 60 August, 62 |

It would be seen from the above table that Blocks I & II are yet to be completed/commissioned and target date of completion has been exceeded by periods ranging from 3 months to 2 years. The main reasons for the delayed completion appear to be the frequent change in the capacity and size of the project resulting in fresh planning.

6. *Target and Actual Achievement.*—The Company went into nominal production in July, 1960. During the year 1960-61 switchgear and control gear components of the value of Rs. 17·34 lakhs (not envisaged in the original Project Report) were manufactured as against the finished output of Rs. 47·88 lakhs of Transformers & Traction Motors envisaged in the original project report and Rs. 45 lakhs as per Phased Programme. The targets approved and the actual output of finished goods for the years 1961-62 and 1962-63 are given below:—

(Rs. in lakhs)

| Sl. No. | Production | Year | Targets production: Project report (on single shift) | Targets production: As per Company's programmes (single shift) | Actual (on double shift) | Shortfall in percetage |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Switchgear | 1962-63 | 21·27 | 91·10 | 80·95 | 11 |
| 2. | Transformers | ,, | 118.29 | 68 39 | 42·97 | 37 |
| 3. | Control gear | ,, | 3·73 | 8.00 | 0 87 | 89 |
| 4. | Capacitors | ,, | .. | 17.00 | 14·85 | 13 |
| 5. | Motors | ,, | 64 35 | 10 00 | 7·34 | 27 |
| 6. | Heavy Rotating Plant | ,, | 16·29 | .. | .. | .. |
| | TOTAL (1962-63) | | 223.93 | 194·49 | 146·98 | 24 |
| | 1961-62 | | 126 11 | 150·00 | 13·17 (single shift) | 91 |

The targets prescribed in the project report and also those laid down under phased programme based on single shift could not be achieved by the Company even in double shift. The reasons for shortfall have been stated to be mainly the non-receipt of principal materials and certain imported components and inadequacy of experienced supervisory staff.

7. *Staff Strength.*—The project report envisaged the total strength of factory staff for an annual output of Rs. 12·5 crores at 8487, as against the actual strength of 9336 on the 1st January, 1963 for a planned output of only Rs. 3·5 crores and actual output of Rs. 3·1 crores (including work-in-progress and civil engineering components).

According to the Project Report the incidence of the administrative staff to the factory personnel should be in the ratio of 1:12. The present ratio is, however, 1:6. The Technical Consultants in their report submitted in February, 1963 have stated as under:—

> "All factory departments are fully staffed except the Tool room and manufacturing services department, and indeed most of them are well over staffed for their present level of output."

The noticeable additional staff as compared with that recommended by the consultants for an output of Rs. 12·5 crores to be attained in 1967 are given below:—

| Departments | Staff recommended as per project report | Staff in position in Jan. 63 | Excess staff |
|---|---|---|---|
| 1. Transformers, Capacitors and Rectifiers . | 689 | 1154 | 645 |
| 2. Fabrication . . . . . . . | 595 | 1012 | 417 |
| 3. Maintenance and other services . . . | 634 | 969 | 335 |
| 4. Transport . . . . . . . | 81 | 159 | 78 |
| 5. Secretariat and Accounts . . . . | 443 | 748 | 305 |
| 6. Purchase and Factory Stores . . . | 132 | 302 | 170 |
| 7. Management . . . . . . . | 36 | 71 | 35 |
| 8. Personnel and catering . . . . . | .. | 285 | 285 |
| TOTAL . . . | 2610 | 4700 | 2090 (80%) |

The company have stated that revised assessment of staff requirement is being made strictly in accordance with the anticipated manufacturing programme and they expect that it will be possible to economise the expenditure of administrative and establishment charges.

8. *Avoidable extra payment for the construction of quarters.*—(i) According to the contract for Narbada sand utilised for the construction work payment had to be made at a premium of 12 per cent and 7½ per cent above the Madhya Pradesh Schedule of Rates, 1957. The schedule of rates, for this sand, however, included an element of Rs. 26 per 100 cft. on account of railway freight which was also the actual railway freight charged. Premium was allowed on this amount also. The extra payment on this account works up to Rs. 16,568.

(ii) The rates accepted for completed items of work were inclusive of the element of cost of local sand used. Wherever Narbada sand was actually used instead of local sand, while extra payment was made in full for the sand actually used, no rebate was taken for the element of local sand included in the accepted rates. The overpayment on this account works up to Rs. 45,977.

9. *Additional expenditure due to delay in accepting a tender.*—An offer for the supply of a Milling machine at a firm price of £ 26,374 (Rs. 3,52,000) and valid for 60 days was received by the Company's representative in London on the 2nd October, 1959 from M/s. Associated Electrical Industries, London, the purchasing agents of the Company. This being a single tender, the purchase had to be authorised by the Company's Board of Directors. The Board's approval was given only on the 18th of January, 1960 and the purchase order was issued on the 10th of February, 1960, by which time the offer was no longer valid and the firm demanded an increase of 7½ per cent in price due to increased cost of material and labour. After further negotiation the firm agreed to an increase of 6 per cent only which was accepted. The increased payment on this account was £ 1,475 (Rs. 19,667).

10. *Losses arising from thefts.*—The following are some instances of loss incurred by the Company due to stores and machinery being stolen:—

(i) *Theft of 4 tons of M. S. Rounds.*—About 4 tons of M.S. Rounds valued at Rs. 3,000 were stolen from the Central Stores of the Company in May, 1960. The matter was, reported to the Police only in April, 1961 (a year later) and the Police indicated their inability to investigate as the case was not registered with them in time. Departmental investigation, however, revealed that the signature of the Assistant Executive Engineer was forged on the stores requisition note. It is understood that the indent book issued to the Store-keeper, instead of being kept under lock and key, was lying unguarded in the Section for a considerable time and was used by several persons. Departmental action taken to fix responsibility and to write off the loss is still awaited.

(ii) *Theft of 3,000 RFT of Electrode.*—The Assistant Stores Keeper of the Training Stores Department issued 3,000 RFT of Electrode valued at Rs. 3,000 from the Central Stores on the 30th June, 1961 and misappropriated the same by forging signatures on the Stores requisition notes. The theft was detected after about 4 months, *i.e.*, in October, 1961. This theft was facilitated by the fact that the Assistant Stores Keeper was entrusted with the issue, requisition as well as receipt of materials, in contravention of the Store Accounting Procedure. The Assistant Stores Keeper is reported to be absconding. The loss has been written off under the sanction of the General Manager on 15th June, 1963.

11. *Stock and Stores.*

(a) *Physical Verification.*

*Stock and Stores.*—In the two main stock records kept, *i.e.*, the Priced Stores Ledgers and in the Central Accounts, appreciable discrepancies between the closing balances have been noticed. The actual stock as physically verified also differs from the closing balances of both these accounts records in a large number of cases. The net effect of these discrepancies has been carried over from year to year in the Balance Sheet under 'Differences in Stores and Stock'. As on the 31st March, 1963, there was a net difference of Rs. 2·31 lakhs pending adjustment as under:—

| | Debit Rs. | Credit Rs. |
|---|---|---|
| 1. Priced Stores Ledger and physical verification Report . . . . | 2,04,028 | 3,25,492 |
| 2. Bin Cards and Priced Stores Ledgers . | 12,24,486 | 19,89,383 |
| 3. Priced Stores Ledgers and General Ledgers Balances . . . . | 17,75,339 | 6,71,178 |
| 4. Other differences . . . . | 1,05,603 | 92,387 |
| TOTAL . . | 33,09,456 | 30,78,440 |

(b) *Stores in Transit and Advances to suppliers.*—Out of stores in transit valuing Rs. 78·00 lakhs as on the 31st March, 1963, the receipt of materials valuing Rs. 66·11 lakhs could not be linked till August, 1963. The latter amount also includes a sum of Rs. 4·53 lakhs which is outstanding for more than a year. Similiarly, the following advances are pending linking in respect of foreign purchases as on the 31st March, 1963: –

| | Rs. |
|---|---|
| 1959-60 . . . . . | 88,987 |
| 1960-61 . . . . . | 14,67,600 |
| 1961-62 . . . . | 17,60,080 |
| 1962-63 . . . . | 6,69,066 |
| | 39,85,733 |

(c) *Plant & Machinery awaiting erection.*—A sum of Rs. 10·31 lakhs brought forward from the previous years is pending adjustment for want of information.

12. *Financial Results.*

(a) *Sales.*—The Company's audited accounts for 1962-63 show a gross loss of Rs. 280·96 lakhs against a total sale of Rs. 95·79 lakhs. The Company has fixed the selling prices on the basis of the prevailing market prices as ascertained by the Commercial Department. The sales during 1962-63 were made against orders accepted by the Company in 1959, *viz.*, prior to the commencement of the production. It has been noticed that the selling prices so fixed and accepted for the Company's major products were much below the actual cost, resulting in heavy losses. The Company is now undertaking a review to arrive at a reasonable basis for fixation of selling prices, after taking into consideration all relevant factors.

The losses incurred by the Company during the three years 1960-61 to 1962-63 are as follows:—

| | Rs. |
|---|---|
| 1960-61 . . . . . | 40.45 lakhs |
| 1961-62 . . . . . | 106·78 ,, |
| 1962-63 . . . . . | 433·57 ,, |

The total accumulated losses were Rs. 611·60 lakhs as on 31-3-1963.

(b) *Sundry Debtors.*—The total volume of debts outstanding for collection at the end of last 3 years was as follows :—

(Rupees in lakhs)

| | Balance outstanding as on 31st March | Outstanding for more than one year |
|---|---|---|
| 1960-61 . . . . . . | 5·13 | ·73 |
| 1961-62 . . . . . . | 13.01 | 1.49 |
| 1962-63 . . . . . . | 60.04 | 2.10 |

13. *Loss of Rs.* 1,75,247.—Advances are made by the Company to various Officers from time to time to meet the expenditure on emergent purchases, Ocean freight and Customs duty, etc. The Liaison Officer of the Company at Bombay had a balance of Rs. 1,75,247 on 27th January, 1963 out of the funds advanced to him from time to time between June, 1961 to December, 1962. He committed suicide on 27th January, 1963. The Company appointed an Inquiry Committee to investigate into the irregularities committed by him. The findings of the committee were that the fraud was rendered possible because of the absence of a suitable system of procedure by which periodical checks could be exercised by the Head Office over the utilisation of the funds made available to the Officer from time to time and the failure on the part of the various departments in not bringing into use the form prescribed for drawal of advances and non-observance of instructions issued. It was also felt by the committee that there was a failure on the part of the Accounts Office of the Company in not enforcing the use of this form by the various departments. The Committee found four employees responsible for not having properly discharged the responsibilities devolving on them. Action taken by the Company on the findings of the Committee and the report of the Police investigation into the case, are still awaited.

## VIII. HINDUSTAN CABLES LIMITED

The project for manufacturing paper insulated lead cover and armoured telephone cables remained as a Government Departmental undertaking till 4th August, 1952 when a Government Company called 'Hindustan Cables Limited' was formed with an authorised capital of Rs. 3 crores, wholly owned by the Government of India. In addition to a loan of Rs. 119 lakhs from the Government of India the subscribed and paid up capital of the Company as on 31st March, 1963 was Rs. 160·47 lakhs. The Company had also drawn funds on a cash credit account with the State Bank of India, to the extent of Rs. 71·22 lakhs as on 31-3-1963.

2. *Production.*—Production of dry core cables came to 74·8% and 76·8% of the budgetted production in 1958-59 and 1959-60. The shortfall in production of coaxial cables in 1961-62 by 76·5% was stated to be mainly due to non-availability of centre copper wire of requisite quality. The management have stated that the original budget for coaxial cables during 1961-62 was an over-estimate as they had not anticipated that technical difficulties in connection with production of coaxial cable would be so numerous.

The shortfall in production has also caused non-utilisation of the machines in some of the shops of the factory to their full capacity and consequent large percentage of idle machine hours.

3. *Wastage in Production.*—Copper, steel tape and lead are the principal materials used in the manufacture of the cables. Out of these, copper, the major component is an imported item. No standards for minimum wastage has been fixed so far for any of the components. The percentages of scrap to the materials consumed in respect of some of the principal materials for the four years commencing from 1959-60 are indicated below:—

| | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|---|
| Copper | 3·92% | 3·98% | 6·05% | 4·86% |
| Steel Tape | 1·35% | 0·95% | 4·24% | 1·71% |
| Lead | 2·10% | 2·44% | 2·11% | 2·59% |

The fluctuating rates of wastage from year to year appear to need investigation and early steps should be taken to fix the maximum permissible limit of wastage in each case. On the basis of quantities of these three materials consumed for the whole year 1962-63, an extra 1% of wastage would mean a loss of Rs. 1·87 lakh.

4. *Delay in completion of Armouring shop.*—In October, 1954 the Company decided to double the capacity of their Armouring Shop. The programme for the procurement of the machines including ancillary equipment was so phased that the additional machines would be commissioned by September, 1956. Accordingly, in July, 1955, orders were placed for an armouring machine (cost Rs. 2·56 lakhs) which was received by September, 1956. The machine could

not, however, be commissioned till March, 1959, because of the delayed placement of orders in respect of 3 items of ancillary machines the boiler, the turn table and headguard and gears.

5. *Extra Expenditure of Rs.* 75,000 (*Approx.*) *as a result of defective tender for the purchase of machines and spares, etc.*—In August, 1961 two foreign firms submitted tenders for two wire Insulating Extrusion lines at a net price of £14,365 (Rs. 1,91,533) f.o.b. and £ 18,612 (Rs. 2,48,160) respectively against tender enquiry by India Store Department on behalf of the Company. The price of £ 18,612 (Rs. 2,48,160) was exclusive of spares for which the tenderer quoted £ 1,375 (Rs. 18,333) while the other quotations included the supply of spares also. The consultants, Standard Telephone Company recommended acceptance of the lower offer of £ 14,365 (Rs. 1,91,533) for the two lines since it complied with the tender specification of an operating speed of 30,000 metres per hour. The Company, however, preferred the product of the higher tenderer on the consideration that the machine would be a faster one (42,000 metres per hour) and would give better value for money as the output would be 2·5 yards per hour as against 2·3 yards per hour by the machine of the lower tenderer. Eventually the India Store Department was asked to place orders for one machine from each firm. Subsequently the Standard Telephone Company informed the India Store Department that the machine offered by the lower tenderer complied fully with the tender specification and that the firm had also increased the speed of the machine to 42,000 metres per hour, so that its cost on insulated wire output basis worked out to less than that of the other one. The India Store Department informed the company accordingly. No change in the order was, however, considered necessary by the Company inspite of the suggestion given by the consultants. This resulted in an extra expenditure of £ 5,622 or Rs. 75,000 (approx.) to the Company.

6. *Financial Results.*

(a) *Debts Outstanding—Rs.* 55·63 *lakhs.*—The Company's main customer is the Posts and Telegraphs Department to whom cables are supplied through the Directorate General, Supplies and Disposals. It has been noticed that heavy amounts (on an average Rs. 40 lakhs per month which had gone up at one stage to Rs. 70 lakhs) have been outstanding against this department. On the other side the Company has been resorting to over-drafts from the State Bank of India. The interest paid on these overdrafts upto 31st March, 1963 amounted to Rs. 2,16,486.

(b) The financial results of the Company for the last three years are given below:—

| | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|
| 1. Total capital employed (including loans & free reserves) . . . . | 2,27,33,298 | 2,45,09,541 | 3,17,50,241 |
| 2. Sales (net) . . . . . | 1,56,51,167 | 1,81,64,854 | 3,19,23,554 |
| 3. Profit (including interest on loan) . | 27,21,552 | 22,53,024 | 43,59,065 |
| 4. Percentage of profit on capital employed | 12·00 | 9·19 | 13·7 |
| 5. Percentage of profit on sales . | 17·38 | 12·4 | 13·65 |

Till 31st March, 1961 the selling prices were fixed by the Directorate General, Supplies and Disposals on the basis of current acceptable quotations received against invitations of Global Tenders. The pricing policy was, however, changed w.e.f. 1st April, 1961 and under the revised formula the selling prices of cables are to be fixed on the basis of cost of production plus an element of profit to be determined at 12 per cent return on the capital employed.

(c) The Chartered Accountants in their Supplementary Report dated the 5th December, 1963, on the accounts of the Company for 1962-63 have stated that the quality of the book keeping (both financial and costs) is not satisfactory and that the Internal Audit Section which is under the administrative control of the Chief Accountant is called upon, from time to time, to perform other work. They have suggested the immediate introduction of Accounting and costing Manuals and procedure.

## IX. EXPORT CREDIT AND GUARANTEE CORPORATION LIMITED

The Export Risks Insurance Corporation Limited now renamed as Export Credit and Guarantee Corporation Limited was incorporated as a Central Government Company on 30th July, 1957 with the principal object of providing insurance cover to Indian Exporters against Commercial and political risks resulting from non-payment by foreign buyers. The Corporation offers a wide range of policies. The policies indemnify the exporters to the extent of 80 per cent of the loss in the case of 'Commercial Risks' and 85 per cent in the case of political risks. The minimum premium rates, below which the Corporation cannot quote, are fixed by Government. The actual rates are fixed by the Corporation after taking into account the commodity involved, destination country and the period of credit.

The authorised capital of the Corporation is Rs. 5 crores divided into 5 lakhs equity shares of Rs. 100 each. The issued and subscribed capital as on 31st December, 1962 was Rs. 50 lakhs. All the shares are held by Government.

2. *Achievement*.—The Corporation expected that they would be able to cover 8 to 9 per cent of the exports of the country. On this basis, for the year ending 31st December, 1962 about Rs. 50 crores worth of exports should have been covered. The actual insurance covered for this year, however, was only Rs. 20·69 crores. It has been stated that the Export Credit Guarantee Committee did not have any actual experience in the field and that about 50 per cent of India's Export trade is on traditional lines like jute, cotton and tea, in respect of which Indian exporters have well established connections and therefore do not need insurance cover.

The policies issued and the risk value covered by the Company are given below:—

| Particulars | 1960 | 1961 | 1962 |
|---|---|---|---|
| 1. Risk Value (Rs. in crores) . . . . . | 6·96 | 12·01 | 20.69 |
| 2. *Policies issued* : | | | |
| (*a*) Standard Policies . . . . . | 321 | 400 | 502 |
| (*b*) Packing Credit Policies . . . . | 3 | 26 | 52 |
| 3. Maximum Liability (Rs in crores). | | | |
| (*a*) Standard Policies . . . . . | 8.13 | 12.57 | 15·74 |
| (*b*) Packing Credit Policies . . . . | 0·01 | 0.45 | 1.42 |

3. *Expense Ratio*.—The premium income and the administrative expenses during the year ending 31st December, 1962 were Rs. 5·63 lakhs and Rs. 3·57 lakhs, respectively. The ratio of the administrative expenses to the premium income was thus 63 per cent during the year 1962. The following table compares the expense ratio of the Corporation with the ratios of similar other organisations in the foreign countries:

| Country | Year of inception | Expense ratio as % | |
|---|---|---|---|
| | | 1962 | 1961 |
| India . . . . . . . . . . | 1957 | 63·0 | 79·0 |
| Canada . . . . . . . . . . | 1944 | 48·0 | 68·0 |
| Denmark . . . . . . . . . . | 1954 | 11.5 | 14.5 |
| France . . . . . . . . . . | 1948 | Not available | 14 5 |
| Norway . . . . . . . . . . | 1956 | 17.0 | 14.0 |
| U.K. . . . . . . . . . . | 1919 | 16·8 | 18.7 |

The Corporation has stated that the lower ratio is particularly perceivable in countries, whose organisations are well established and older than that of India.

4. *Claims.*—The claims paid from the commencement of operations in July, 1957 to December 31st, 1962, analysed by type of risk insured, are as follows:

| Nature of claim | Claims paid | Recoveries | Irrecoverable losses | Net outstanding |
|---|---|---|---|---|
| | | (Rs. in thousands) | | |
| Import Control . . . . . | 0·17 | 0·17 | .. | .. |
| Exchange transfer . . . . . | 35·95 | 10·39 | .. | 25·56 |
| Repudiating Buyer . . . . . | 6.51 | .. | 1·48 | 5·03 |
| Insolvency of Buyer . . . . . | 34·96 | .. | 5·66 | 29·30 |
| Default of Buyer . . . . . | 960.61 | 658.54 | 49.00 | 253·07 |
| TOTAL . . . | 1038·20 | 669.10 | 56.14 | 312.96 |

It will be seen that a sum of Rs. 56,140 has been written off as irrecoverable. Out of the net outstanding on 31st December, 1962 of Rs. 3,12,960 a further sum of Rs. 90,685 is expected to be irrecoverable and Rs. 9,827 is considered doubtful of recovery.

It is to be noted that claims paid and recoveries effected are taken on actual cash basis in the Annual Accounts of the Corporation and not on accrual basis.

5. *Working Results.*

(a) *Operations.*—Out of the surplus of Rs. 4,84,790 in 1962, as against Rs. 2,96,798 in the previous year, Rs. 4,54,409 have been transferred to the Reserve for unexpired risks and the balance of Rs. 30,381 has been carried to underwriting Reserve.

The total amount at credit in both these reserves together on 31st December, 1962 was Rs. 9,54,409. As against this, the interest on investments received by the Corporation up to the same date was Rs. 10,41,094. Therefore, from the inception of the Corporation to the 31st of December, 1962, there was a net excess of operating expenses and claims paid over premia to the extent of Rs. 86,685. The Corporation is actually expected to work on a "no loss, no profit" basis.

(b) The Corporation has no internal audit system at present.

## X. INDIAN TELEPHONE INDUSTRIES LIMITED

The Indian Telephone Industries was established by the Government of India at Bangalore in July, 1948 to undertake the manufacture, assembly and buying and selling of Tele-communication equipment such as automatic Telephone carrier equipment etc. On 1st February, 1950, the industry was converted into a limited company. The Company started with an authorised capital of Rs. 250 lakhs, which was later increased to Rs. 400 lakhs in 1954. The paid up capital of the Company on the 31st March, 1963 was Rs. 400 lakhs.

2. *Agreement with technical consultants.*—The Government of India entered into a technical collaboration with a foreign firm on 3rd May, 1948. According to the terms of the agreement the foreign collaborators were to receive for the services to be rendered the following:—

(a) For patent rights and manufacturing data, a sum of £50,000 on signing of the agreement and in addition ordinary shares in the company to be formed, to the value of £50,000 in free scrip.

(b) For the manufacturing data and towards technical development and research a royalty of 2 per cent on the invoiced output of the company less the amount of any equipment already invoiced by the foreign firm which has been embodied in the said output.

In accordance with (a) above, 6667 shares of Rs. 100 each were allotted free to the collaborators. In addition, 3338 shares of Rs. 100 each were allotted to them for cash.

In order to ascertain the invoiced output for (b) above, the company had to maintain the detailed accounts in respect of the equipment supplied by the A.T.E. and embodied in the output of the company and also a list of the A.T.E. prices for these equipments. As the Company have not maintained the necessary data, they had to adopt an approximate basis in calculating the royalty payable to collaborators. On the above approximate basis, the company paid a sum of Rs. 18·24 lakhs (less income tax) as royalty to the collaborators for the period from 1949-50 to 1960-61. The royalty for the period from 1st April, 1961 to 31st March, 1963 remains to be settled and the sum is estimated to be Rs. 28 lakhs. During 1957-58 certain refunds were made to P & T Department for variation of cost as subsequently computed by the Company. No adjustments were, however, made in respect of the royalty already paid on the invoiced output. This has resulted in an overpayment of royalty to the extent of Rs. 9,400. Similarly, during 1957-58 and 1958-59 overhead charges on the value of the equipment supplied by A.T.E. and embodied in the invoiced output of the factory were also not deducted for the purpose of calculation of the royalty. This has resulted in a further overpayment of royalty of Rs. 11,000.

3. *Project Report.*—The technical consultants had not submitted any Project Report showing capacity and targets for setting up of the factory, its cost, programme of production, scope of expansion etc. In the absence of the same, it is not possible to judge the progress made from time to time as also to ascertain the production efficiency of the Company in respect of materials, labour and overheads.

4. *Loss on the despatch of PABX equipment to Indonesia.*—In March, 1955 one 50-line private automatic branch exchange equipment with 50 telephones and associated items, valued at Rs. 23,000 was sent to Indonesia for use in the Afro-Asian Conference and thereafter for ultimate sale to Indonesia. Due to delayed clearance by the Indian Embassy at Djakarta, the equipment could not be made use of at the Conference. It was, therefore, kept in the Embassy premises, where it got badly damaged. It was returned to India in March, 1960 for repairs but it was found that it could not be reconditioned economically. Out of the total value of Rs. 23,000 equipment worth Rs. 15,360 could not be salvaged. The company suffered on this account a total loss of Rs. 29,170 (Rs. 15,360 worth of equipment and Rs. 13,810 on freight), etc.

5. *Surplus Stock.*—A review conducted by Internal Audit in October, 1961 and October, 1962 of all store items disclosed surplus stocks worth Rs. 14·52 lakhs. Out of this surplus, stores relating to Transmission Department amounted to Rs. 6·86 lakhs. Although upto the end of April, 1963, stores to the value of Rs. 3·45 lakhs have been consumed, it is seen that in respect of transmission stores the utilisation has been slow, as the total value of these stores consumed was only Rs. 66,679 as against a stock of Rs. 6·86 lakhs, *i.e.* less than 10 per cent.

As a result of physical verification of stores conducted at the Company's Regional Offices at Delhi and Calcutta and at the Head Office at Bangalore during the year 1962-63, shortages of stores of the value of Rs. 25,000 approximately were noticed.

6. *Sundry Debtors.*—The total outstanding debts as on 31st March, 1963 were Rs. 155 lakhs aproximately. It has been noticed that the outstandings against Railways for supplies made to them have been heavy, being on an average about Rs. 15 lakhs at the end of each quarter. The Company has entered into an agreement with the Posts and Telegraphs Department whereby the latter is to make 100% payment on proof of despatch. Similar agreement with the Railways proposed by the Company in 1958 had not been agreed to, but it is stated that the question is again being taken up with Railway Board.

7. *Avoiding payment of Rs.* 39,000/- *on account of sales tax.*—As per the agreement entered into with the Posts & Telegraphs Department, the Indian Telephone Industries is required to replace free of all charges the faulty materials on equipments supplied, if notice of rejection is given by the former within sixty days of receipt of goods at site. The I.T.I. is also required under the agreement to replace free of cost all the parts of equipments with manufacturing defects, if the same are intimated within a period of 12 months. According to the accounting procedure adopted by the Company, credit notes for the full value of the goods including sales tax were issued in respect of rejections by the Posts & Telegraphs Department. Again, when the goods were replaced, invoices for the full value of the goods including sales tax were issued to the Posts & Telegraphs Department. The Bombay Sales Tax authorities have not entertained the claim of the company to allow the credit notes issued as a rebate in its turnover when the rejections were made after the prescribed period of three months from the date of sale as allowed under the Bombay Sales Tax Act and also in cases where the Company could not produce evidence to show that the rejections were made within the prescribed period. On account of this, the company could not get refund of sales tax amounting to Rs. 36,000 for the years 1952-53 to 1955-56. Besides, for the years mentioned above, the company had to pay the penalty amounting to Rs. 3,000 for delayed submission of sales tax returns and delayed payment of tax.

8. *Financial Results.*—The major portion of the sales (upto 80%) is to the Posts & Telegraphs Department. These sales were being effected on cost plus 7½% basis till the 30th September, 1961, the basis of the sales thereafter being cost plus 10%.

The financial results for the last five years are given below:—

(Figures in lakhs of Rupees)

| | 1958-59 | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|---|---|
| 1. Paid-up capital | 400·00 | 400·00 | 400·00 | 400·00 | 400·00 |
| 2. Loan from Govt. of India | 87.84 | 96·84 | 101·84 | 161·84 | 205·00 |
| 3. Ratio of capital to loan | 4·55:1 | 4·13:1 | 3·93:1 | 2·47:1 | 1·97:1 |
| 4. Sales (including recoveries on installation & maintenance of exchanges) | 339·43 | 366.04 | 434·97 | 574·73 | 788·00 |
| 5. Net profit before appropriation | 26·98 | 37·14 | 46·58 | 64·43 | 102·06 |
| 6. *Percentage of profit*: | | | | | |
| (*a*) on sales | 7·95 | 10·15 | 10·71 | 11·21 | 12·96 |
| (*b*) on capital | 6·74 | 9·28 | 11·65 | 16·11 | 25·51 |

## XI. INDIAN RARE EARTHS LIMITED

The Government of India entered into a technical agreement with a French firm in April, 1949, for setting up a factory in India for processing Monazite Sand into Rare Earth products. The Indian Rare Earths Ltd. (to whom the agreement was transferred) was registered on 18-8-1950 with an authorised capital of Rs. 1 crore divided into 10,000 ordinary shares of Rs. 1,000/- each. These shares were held partly by the Government of India and partly by the Kerala State Government till 29-3-1963 when the shares held by the Kerala Government were also acquired by the Central Government.

2. *Agreement.*—Clause 3 (a) of the Technical Agreement with the French firm envisaged the completion of the factory and commencement of production within one year from the date of the agreement. The factory, however, commenced production only in August, 1952 against the agreed date of April, 1950. The management stated that the actual commencement of production should be taken from the date of formation of the Company *i.e.* 18-8-1950. Even then there was delay which has been stated to be due to (a) delay in selection of the site and acquisition of lands, (b) delay in obtaining major equipment from abroad and (c) rectification of defects in the machinery received.

3. *Agency work on behalf of the department of Atomic Energy.*—The company has been entrusted with the management and running of a Chemical Plant of the Department of Atomic Energy at Bombay,

for which it is getting a fee of 10% of the net profits subject to a minimum of Rs. 50,000/- per annum. There is neither written agreement to this effect so far nor the Government consider it necessary to enter into any formal agreement, but the figures have been confirmed by the Department of Atomic Energy. In addition, the Company has undertaken on behalf of the Department of Atomic Energy the construction of certain projects. The funds provided by the Department of Atomic Energy for running the Chemical Plant are mixed up with those of the Company and no separate accounts for cash transactions are kept for the factory as it facilitates diversion of funds.

4. *Purchases.*

(i) *Monazite.*—An agreement was entered into by the Company with another Government Company in 1950 for a period of 20 years for purchasing all requirements of Monazite. According to the agreement, the price of Monazite was fixed at £25/- per ton ex-works till 31-3-1955. From 1st April, 1955 the rate was to be revised every 6 months and related to the world price of Monazite. The price, however, has not been revised so far and the company continues to pay £25/- per ton. It has been stated that it was not possible for the company to ascertain the world price in the absence of free market for the product. The company has now decided (in March, 1963) to obtain a reduction in the price through the Department of Atomic Energy, in view of the reduced cost of production of Monazite at the other Government Company due to the installation of new separators.

(ii) *Chemicals.*—(a) Since its inception the Company had obtained its requirements of chemicals from a single firm, in the neighbourhood on the grounds of nearness and regularity of supply. Initially a contract was entered into for a period of five years and on its expiry on 31st March, 1956, the purchases were made from this Company on the basis of annual purchase orders.

The supply of the chemical so obtained from the firm was at rates varying from Rs. 350/- to Rs. 400/- per ton from 1st April, 1956 to 31st March, 1961, Rs. 325/- per ton from 1-4-1961 to 30-9-1961, Rs. 300/- per ton from 1-10-1961 to 30-9-1962 and Rs. 250 per ton from 1st October, 1962. The firm has been selling the same product to other consumers on rates varying from Rs. 200 to Rs. 60 during the same period. In April, 1961 the Company tried to purchase the chemical from another Government Company. The latter are required under an agreement to sell all the available chemical to the firm. The said firm refused to permit another Government Company to sell the chemical direct to the Company. Consequently the Company had to continue to purchase the chemical only from the firm. During the period of 3½ years from 1-7-1959 to 31-3-1962 the Company paid a sum of Rs. 3,72,000 (aproximately) more than the amount which the firm had charged from others on the sale of similar quantity of the chemical.

(b) The Company in June, 1961 estimated that if their own plant of another Chemical (ten ton capacity) is installed they would be able to obtain their requirements of the chemical at 80% of the price now paid and also the chemical referred to in para (a) will be available free resulting in a saving of Rs. 7 lakhs per annum. The idea was, however, given up in view of the policy of the Government not to award a licence for such a factory within 100 miles of an existing factory.

5. *Production.*—The quantity of Monazite processed to the Company from 1956-57 to 1961-62 has been between 20% to 91% of the rated capacity. It has been stated that this was due to short supply of main chemicals and slumping of the market for rare earth chloride since its inception.

6. *Cost of Production.*—The Company does not exercise budgetory control with reference to standardised costs and as such it is not possible to evaluate its actual performance.

7. *Recovery of expenditure from Department of Atomic Energy.*—During 1961-62 an expenditure of Rs. 1·08 lakhs was incurred on drying, packing and handling of 330 tonnes of a product for which a fixed sum of Rs. 64,000 only is recoverable from Department of Atomic Energy. With the stepping up of production during 1962-63 to 3,000 tonnes of Monazite the expenditure on drying, packing and handling is likely to go up.

8. *Stores.*

(a) *Surplus Stores.*—Surplus stores (including items purchased 8 to 10 years back) amounting to Rs. 1·02 lakhs (approximately) were lying in the stock on 31-3-1963 awaiting disposal.

(b) *Minimum & Maximum levels.*—The minimum and maximum stock levels in relation to the main items of stores have not been fixed so far.

9. *Financial Results*.—(a) The financial results of the company for the last three years are given below:—

(Figures in lakhs of rupees)

| | 1962-63 | 1961-62 | 1960-61 |
|---|---|---|---|
| Paid up capital | 100·00 | 100·00 | 100·00 |
| Loans | .. | .. | .. |
| Reserve & Surplus | 9·27 | 0·45 | 0·34 |
| Capital employed | 109·27 | 100·45 | 100·34 |
| Net profit | 12·02 | 4·17 | 5·12 |
| Turn over | 60·17 | 35·76 | 28·47 |
| Return on capital employed | 12·02 | 4·17 | 5·12 |
| Percentage of Net profit on turn over | 19·98% | 11·66% | 17·98% |

(b) *Amount received from Department of Atomic Energy*

(In lakhs of Rupees)

| | 1962-63 | 1961-62 | 1960-61 |
|---|---|---|---|
| (*i*) Recovery for the product | 9·79 | 9·95 | 10·26 |
| (*ii*) Management fees for running the factory | 1·47 | 1·32 | 0·72 |
| (*iii*) Agency charges | 1·25 | .. | .. |

The Department of Atomic Energy pays the company only a fixed *ad hoc* sum of Rs. 9·15 lakhs plus drying and packing of Rs. 0·64 lakhs per year for the product received from the company. This payment was fixed on the basis of processing 623 M.T. tons of monazite which will produce 140 M.T. of the product. In 1961-62, 1799 M.T. monazite was processed and 380 tons of the product was obtained. The net profit of that year was lower because the company had to bear without re-coupment the producing charges for 240 M. T. (380-140) of the product.

## OTHER TOPICS OF INTEREST

## XII. HINDUSTAN STEEL LIMITED

1. *Civil Engineering Work in Iron Ore Mines*.—During negotiations with the successful tenderer 'A' in June, 1957, for setting up the Material Handling System at the Iron Ore Mines in the Rourkela Steel Project, it was decided to award the Civil Engineering Work

to one of their sub-contractor 'X' on a negotiated lump-sum of Rs. 21 lakhs with the explicit understanding that the work, though executed by a sub-contractor, would form part of the main contract and supervised by the main contractor. The lump-sum rate was based on the estimate of a total quantity of 5,500 cubic yards of reinforced and structural concrete for which about 500 tons of steel, at the rate of 7 lbs. per c.ft., would be used. While executing the agreement with the contractor, although provision was made for payment of increase/ decrease in the quantity of work actually done in comparison to the estimated quantity, similar provision for the steel actually used, was not incorporated.

The total quantity of concrete work actually done and paid for was 14,150 c.yds. but the steel consumed was only 816 tons while on the basis of the ratio of steel on the original quantity contracted, 1,194 tons of steel should have been used. The project could not make any recovery from the contractor due to non-incorporation of a suitable clause in the agreement even though this could have been done in accordance with the record note of the negotiations held on 29th June, 1957. It is understood that no responsibility has been fixed so far for this omission. The loss to the Project on this account is Rs. 2,83,500 approximately.

It is interesting to note that the sub-contractor 'X' who was awarded the above work, actually sub-let it to another contractor 'Y' with the approval of the Project authorities, stipulating that if the consumption of steel was less than 7 lbs. per c.ft., a recovery of Rs. 1,000 per ton would be made. Thus, for 378 tons of steel less used in the work, sub-contractor 'X' would have recovered a sum of Rs. 4,35,000 from 'Y' and retained the same with him.

2. *Loss due to non-weighment of Creosote Oil supplied in petrol wagons to Railways.*—During the period November, 1960 to January, 1961, Creosote Oil, a by-product of the Rourkela Steel Project, was despatched to the Indian Railways in tank wagons without actual weighment. These wagons were marked with the weight carrying capacity for petrol only. Bills were preferred against the Railways on the basis of the marked capacity of the tank wagons for petrol. Since the specific gravity of Creosote Oil is higher, being nearly 1·4 times than that of petrol, the failure to record actual weight resulted in excess supply to the purchaser. Sample weighments taken by the Project Authorities have revealed that nearly 8-9 tons Creosote Oil per wagon was the excess supply. The total loss to the Project on this account has been estimated to be Rs. 1,17,600.

3. *Avoidable expenditure due to non-installation of dust catchers in the Power Plant relating to Rourkela Steel Project.*—The Steam Boilers of the Power Plant in Rourkela Project have been so designed that they are fuelled with the Coke breeze and gases produced in the Coke Ovens and Blast Furnaces. The consultants had made specific provision for "dust catchers" (Mechanical fly ash collector with all accessories) for each Boiler in the Technical Specifications for the Power Plant and the suppliers had also tendered in June, 1956 for this item and advised that if an order for dust catchers was not placed, the impellers of the flue gas fans would be subjected to excessive wear. The project authorities, however, on the revised opinion of their Technical Consultants decided in September, 1956 on eliminating it. The coke breeze fuel was used only during the period from December, 1959 to May, 1960, and had to be discontinued thereafter when the fans of one of the Steam Boilers failed due to erosion caused by Coke Breeze in the absence of dust catchers.

The damaged fans of the Steam Boiler were repaired at a cost of Rs. 22,470 (approximately) and pending the installation of dust catchers it was decided that the Steam Boilers of the Power Plant should be fuelled with Coal instead of Coke Breeze. As a result, the Project had to use a total quantity of 98,960 tonnes of coal involving an extra expenditure of Rs. 24,57,755 (upto August, 1963).

It is also relevant to point out that tenders for the dust catchers were invited (2 years later) in June, 1962 and so far (October, 1963) no orders have been placed. The fuelling of the Steam Boilers with Coal (instead of Coke breeze) therefore continues.

4. *Extra-expenditure of Rs.* 1,38,660 *in airlifting the spares.*—In March, 1959 the consultants of the Rourkela Steel Plant recommended that two additional Wobblers be purchased and kept in stock for the Blooming and Slabbing Mill. The Suppliers (who were also the contractors for supply, erection and putting into operation of the Blooming and Slabbing Mill) had sent their quotations in May, 1959 but the Project authorities asked for and obtained details regarding delivery period, terms of payments only in January, 1960. The actual order was placed still later (on 16th July, 1960) after obtaining the sanction of the Committee of Directors and release of foreign exchange by the Ministry. The supply was to be completed within 6—8 months.

The Suppliers, however, defaulted, but their delay in supply was not pointed out to them till 6th December, 1961, when the Blooming and Slabbing Mill broke down and the two Wobblers had to be airlifted at an extra cost of Rs. 1,38,660 (difference between air-freight Rs. 1,47,250 and sea-freight Rs. 8,590).

5. *Extra-payment of Rs.* 3,58,398 *to a contractor.*—In the Rourkela Steel Project, a contract for the construction of a ring road (approximately 7 miles long) for the Township was awarded in November, 1955 at an estimated cost of Rs. 16,88,359. It was provided *inter alia* that the items of work for which no rates were given in the contract, would be paid on the basis of percentage increase over and above the rates given in the H.S.L. Schedule of Rates, which at that time was stated to be under finalisation on the basis of C.P.W.D. Schedule of Rates (with modifications to suit local conditions). During the execution of the work, extra items by way of rock-cutting, excavation etc. had to be undertaken and payment was made at Rs. 300 per %o c.ft. sanctioned in June, 1956, on the basis of Hirakud Schedule of Rates, on the ground that a suitable rate was not available in the H.S.L. Schedule of Rates. The H.S.L. Schedule of Rates is stated to have been enforced from the middle of 1956 (the Project had not been able to state the specific date or month) and contained a rate of Rs. 139 per %o c.ft. for rock-cutting work (inclusive of excavation in trenches) as against Rs. 300 per %o c.ft. paid to the contractor. Even if it is accepted, that the H.S.L. Schedule of Rates was not ready at the time of sanctioning the rate for this extra item, the correct procedure should have been to fix the rate with reference to C.P.W.D. Schedule of Rates which provided the rate of Rs. 175 per %o c.ft., which was being taken as the basis for finalising the H.S.L. Schedule of Rates. This has resulted in an extra-payment of Rs. 3,06,472.

In addition, the total earth work done was in excess of the quantity mentioned in the contract, for which the contractor was paid at a rate of Rs. 25 per %o c.ft. instead of contractual rate of Rs. 19·05 per%o c.f.t., resulting in an extra-payment of Rs. 51,926 The management's contention that the enhanced rate was sanctioned as the soil was mixed with moorum, is not borne out by the facts, *viz.*, that the rate given in the contract was for earth work in all kinds of soil and that the increased rate was allowed only for the quantity of work done in excess of the quantity provided in the contract.

6. *Infructuous expenditure of Rs.* 70,000 *on a Dairy Scheme.*—The Rourkela Steel Project forwarded in June, 1960 to the Head Office a scheme for Cattle Colonisation and Dairy Farm at a capital cost of

Rs. 5 lakhs with a recurring expenditure of Rs. 1 lakh per annum. The scheme was sent to the Government of India, who sanctioned a modified scheme in January, 1961 at a capital cost of Rs. 5 lakhs and recurring expenditure of Rs. 11,94,260 per annum envisaging procurement of milk from outside. The Government also directed the Rourkela Project to take up the work. The Project authorities had, however, started in April, 1960 (even prior to forwarding the original scheme) the construction of one Cattle shed and ten Govalas' quarters which were completed in December, 1960 at a cost of Rs. 41,000. The modified scheme sanctioned by the Government of India did not provide for Cattle Colonisation, *i.e.*, construction of Cattle sheds and Govalas' quarters etc., but envisaged procurement of milk from outside. Even after receipt of the modified scheme from Government the Project Management took up in July, 1961, the construction of another Cattle shed and completed it in November, 1961, at a cost of Rs. 19,000. These Cattle sheds and Govalas' quarters have not so far been utilised. A Dairy Officer and Sales Assistant were also employed between 9th May, 1960 to 31st March, 1962 and 30th November, 1960 to 31st March 1962, respectively.

After an additional expenditure of Rs. 9,800 had been incurred (bringing the total expenditure to Rs. 69,800) the scheme was finally abandoned in February, 1962. The assets created out of this expenditure have not been put to any alternative use so far.

7. *Loss of revenue due to the non-availability of proper storage of Cast Iron Skull.*—The Cast Iron Skull Scrap is obtained as a by-product in the process of producing pig iron. In April, 1959, the Bhilai Steel Plant authorities ascertained from the Iron and Steel Controller that this scrap was a controlled commodity and could be sold at the current rate of Rs. 85 per ton ex-site. In June, 1959 the Iron and Steel Controller further advised that the accumulated stock of the scrap should be placed at the disposal of an Association for allotment to Foundries on "as is where is" basis and that if the materials were not lifted by the allottee foundries within a certain time limit, say 15 days, the plant was free to dispose of the stock themselves.

In the absence of storage facilities for this scrap, however, it was either being dumped into the slag yard or stacked so close to the yard that it got mixed up with slag. As a result, out of 35,020 tonnes of the scrap estimated by the Company to have been produced between February, 1959 and May, 1962, the project has been able to segregate and sell only 7,900 tonnes for Rs. 8·83 lakhs. It is understood that the rest of the scrap, 27,120 tonnes valuing at Rs. 30·10 lakhs, cannot be salvaged and is therefore a total loss.

Audit had stressed the necessity for separate storage arrangements for this by-product as early as January, 1960.

The management have stated (October, 1962) that there was no provision in the Project Report for stocking of Cast Iron Skull and that the first stage of production of pig iron was begun with minimum facilities. Adequate storage facilities could not be made thereafter also as the work on the second and third blast furnaces as well as in other shops had to be looked into urgently to keep up the schedule of commissioning. They have also stated that since June, 1962, sufficient space has been set up in the Cold Pig Iron Yard where salvaging operations are being done and also that efforts have been intensified to make maximum effective utilisation of the scrap arising from the Plant Units.

8 *Unnecessary purchase of Brick Making Machines valuing Rs.* 78,500.—The Bhilai Steel Project placed an order for three End Delivery Brick Making Machines with the Trade Representative of the U.S.S.R. in India on 5th June, 1957. The machines costing Rs. 54,000 were received in January, 1958 and for their operation, two electric motors costing Rs. 11,500 were purchased from a firm in Nagpur.

On grounds of urgency, another order for two Land Crete brick making machines at Rs. 6,500 each was placed telegraphically on 11th October, 1957. The machines were received in December, 1957.

While one machine purchased from Russia was not at all used, the other machines were put to very little use during the last six years. In some machines the bricks manufactured were found to be brittle and of inferior quality and in one case the cost of manufacture was comparatively high. The management is now in correspondence with Government and Private Parties for the disposal of these machines.

9. *Excessively high departmental cost on raising of dolomite.*—In the Departmentally worked dolomite mines of the Bhilai Steel Plant at Hirri, the Assistant Mines Manager had during the tenure of his office from 31st July, 1959 to 17th March, 1960 spent about Rs. 1,40,000 against Nominal Muster Rolls for raising 9370 tons of dolomite, the extraction rate per ton working out to about Rs. 14·94 as against the estimated cost of Rs. 4·50 per ton. The causes for this excessive rate

were investigated by a Committee which in its report submitted in May, 1960, attributed the high cost to the possible incompetence and dishonesty of the Assistant Mines Manager. The services of the Assistant Mines Manager were terminated on 1st April 1961 *i.e.* about one year after the report of the departmental Committee was submitted.

The financial loss on this account works out to about Rs. 98,000.

10. *Unnecessary purchase of trolleys.*—On receipt of an emergent indent in January, 1957 for the purchase of 20 manually operated trolleys (to be used in refractory lining work being carried out departmentally) the Bhilai Steel Plant invited in July, 1957 limited quotations from 19 firms. Out of the four offers received, the second lowest at Rs. 8,655 per trolley F.O.R. Calcutta (the lowest having not been found suitable) was accepted and an order placed on 25th November, 1957 with the stipulation that the delivery should be completed within three months. The machines were actually received in September, 1958 at a cost of Rs. 1·85 lakhs but no penalty could be imposed on the firm for the delay in supply, as the management could not ensure in time the availability of proper type of railway wagons for their transportation as required by the terms of the agreement.

Even after their receipt in September, 1958 the trolleys were actually inspected almost after a year (in July, 1959). The refractory lining works in the various zones of the plant for which these trolleys had been purchased on emergent basis, were completed between April, 1957 and March, 1961 but the trolleys were kept in stores till November-December, 1962. Subsequently 19 of them were issued for use to the various units which, however, found them unsuitable as a mechanical appliance. The trolleys are so far lying unused (December, 1963).

11. *Engagement of an Ex-Financial Adviser and Chief Accounts Officer of a Project as Contract Consultant in the same Project on an excessively high remuneration.*—With the expected termination of the contract in January, 1962 of the consulting engineers to the project who were supervising the work of the contractors, it was proposed that a person acceptable both to the Company and to the consulting engineers should be appointed to deal with the duties of a non-technical nature yet to be completed. For this purpose, the person chosen was the then Financial Adviser and Chief Accounts Officer to the Project who was due to retire in February, 1962 (and

who had himself negotiated the terms for functioning as a Contract Consultant to the Project from the date of his retirement). The arrangement was later found unacceptable by the Company and no formal agreement was, therefore, entered into. However, the ex-Financial Adviser and Chief Accounts Officer has been paid a sum of Rs. 20,000 for the period from 21st February 1962 to 31st May, 1962, during which he functioned as a Contract Consultant to the Project without any formal agreement. The Government have viewed with displeasure the engagement of an ex-employee of the Project on a remuneration which in terms of monthly payment exceeded Rs. 2,500 per month and questioned the competence of the Company to make such payment without prior sanction of the Government.

12. *Infructuous expenditure on the installation of Ice Plants at Durgapur and Rourkela.*

(a) *Durgapur.*—The Government of India sent in February, 1957, to the General Manager, Durgapur Steel Plant a proposal for the installation of a 10 ton ice plant in the township. Although neither the Plant authorities nor the Refrigeration Engineer of the West Bengal Government who was also consulted, were favourably inclined to the proposal, the Ministry of Iron and Steel instructed in April, 1957 that an ice plant should be purchased and installed as quickly as possible. On grounds of urgency, the purchase order was issued on the 29th May, 1957 on the basis of a single offer at a cost of Rs. 1·39 lakhs including Rs. 20,000 for the equipment required in connection with cold storage rooms.

The plant was ready for operation in March, 1960 at a total cost of Rs. 2·27 lakhs including the cost of building etc. and the operation staff was employed from April, 1960. The manufacture of ice was, however, started only from April, 1961 when a contractor for its distribution was appointed for a period of 11 months. The contractor, however, refused to take ice from 21st May, 1961 after giving a legal notice alleging *inter alia* the Project's failure to supply the full quantity of 10 tons per day in terms of his contract (the actual production was 6-7 tons against the rated capacity of 10 tons) and that the quality of ice was poor. Since then the plant has been lying idle. Against the sales for Rs. 7,150 *i.e.* 250 tons of ice produced during April-May, 1961, the expenditure on staff alone amounted to Rs. 37,009 during April, 1960 to June, 1962, when most of the personnel were withdrawn. The annual expenditure on account of interest charges and depreciation comes to about Rs. 25,000.

(b) *Rourkela*.—To supply ice and cold water to its construction staff, the Rourkela management purchased in December, 1955, an ice plant from the Industrial Exhibition at Rs. 32,000 F.O.R. New Delhi and an expenditure of Rs. 1,692 was incurred on transportation of the same to Rourkela. Construction of a separate building to install the plant taken up in February, 1956 was abandoned in March, 1956 when it was decided that the plant should be installed in the power house. The expenditure incurred on the abandoned building is not available from the records.

The ice plant was finally erected in March, 1956 with an additional expenditure of Rs. 5,040 bringing the total cost to Rs. 38,732. It was run departmentally during 1956-57 and 1957-58, the operation in the first year being in the nature of trial runs. A lot of trouble was experienced with the equipment during 1957-58 and the plant had to be kept idle on several occasions for want of spares. The records showing the working results of these two years are not available.

The plant was let out on hire to a contractor in March, 1958 without calling for tenders for a period of three years at an annual rental of Rs. 4,860. After working for about two years (on 27th May, 1960) the contractor served a three months' notice effective from 1st July, 1960, for termination of the contract unless the annual rental was reduced to Rs. 3,600 and electricity charges from 3 annas to 12 Naya paise per unit. As the revised terms were not acceptable to the management, the contract was terminated and the plant taken back on the 1st December, 1960. An attempt to sell the plant made in August, 1963 proved futile as no response was received to the advertised tender. Since then, the plant has been lying idle. The annual incidence by way of interest on blocked capital, depreciation and pay and allowances of one helper employed for this plant works out to Rs. 5,443. Besides, the failure to effect timely recoveries of rent, electricity and water charges from the contractor resulted in the accumulation of unrealised amount of Rs. 11,378 against a security of Rs. 3,550 only.

## XIII. HINDUSTAN SHIPYARD LIMITED

1. *Loss of Rs. 9 lakhs on reconditioning of equipment*.—The Shipyard placed an order in February, 1956 for the electrical equipment and machinery valued at DM 9,77,000 (Rs. 10 lakhs) from a foreign firm for a vessel to be launched in 1957. The equipment was received in July, 1958. There was a guarantee for satisfactory performance for a period of 6 months from the date of commissioning of

the ship but not exceeding 15 months after its shipment. The equipment, being heavy, was not moved to the stores and was allowed to remain in the open and due to delay in the construction of the vessel which is yet to be completed (December, 1963), could not be utilised during the warranty period, which expired in September, 1959. The shipyard, therefore, requested the suppliers for an extension of the guarantee period. The suppliers before doing so arranged for an inspection of the equipment in January, 1962 when it was noticed that two propulsion motors, two generators and four auxiliary generators had been badly damaged and required extensive repairs/reconditioning. The entire equipment was, therefore, sent to the Manufacturers in two batches on the 20th August, 1962 and 2nd November, 1962 for repairs and reconditioning at a cost of DM 7,39,970 (Rs. 9 lakhs).

A committee of Directors appointed in June, 1962 for investigation held that it should have been possible for the Shipyard to erect housing over the equipment to shield it from rain and sun and to avoid the resultant damage. The Board appointed another committee in December, 1962 to examine the question of fixing the responsibility for this lapse. The Committee outlined the various reasons due to which special attention could not be given to the storage of the above machinery. It has, however, been requested to submit its suppletary report on the various aspects of negligence which led to the damage and to locate the responsibility for such negligence. The report of the Committee in this respect is still (December, 1963) awaited.

2. *Infructuous expenditure on erection and dismantling of Cranes and blocking up of Government Capital.*—Two Demag O.H.T. Cranes of 3 ton capacity each purchased at a cost of Rs. 87,000 were received in the Shipyard on 26th March, 1958 and were erected in General Stores Building in May, 1958. Due to lack of space and the unsuitability for working in the General Stores, these cranes were dismantled in April, 1961 and in March, 1962 and were transferred to the Stores and electric hoists were provided instead. The Company has been put to a loss of Rs. 11,768 by way of expenditure incurred in erection and dismantling of these cranes besides the blocking of capital to the extent of Rs. 87,000.

It has been stated by the Management that the cranes were purchased on the advice of the French Technical Director, who was then incharge of the entire Technical Organisation of the Shipyard and that these would be utilised during the Third Five Year Plan Development Works.

3. *Loss in a ship-building contract.*—A private steamship Company placed an order for building a vessel of 6000 DWT with the Shipyard on 9th September, 1958. According to the terms of the contract the Steamship Company was required to pay for the vessel, the U.K. parity price, fixed by the pricing Committee of the Builders in consultation with the steamship Company in five instalments as follows: —

(i) 5 per cent. on placing the order with the Shipyard.

(ii) 5 per cent. on placing the order for steel and machinery.

(iii) 15 per cent. on the date of keel laying.

(iv) 45 per cent. on the date of launching the ship.

(v) 30 per cent. on the date of delivery of the ship.

For purpose of payment of instalments the price of the ship was fixed at Rs. 80 lakhs *ad-hoc* pending the fixation of the final price. The price of the ship was finally fixed at Rs. 106·8 lakhs as per U.K. estimate on 7th January, 1959.

Clause 12 of the agreement provided that the Shipyard would be entitled to interest from the steamship company for the delayed payments of instalments besides extension of time of delivery of the ship by as much time as the Shipyard were late in receiving the instalments. Accordingly, a claim of interest amounting to Rs. 1,75,802 for the delayed payment of instalments ranging from 161 to 280 days and for the difference between the final price and *ad-hoc* price was lodged by the Shipyard on 12th August, 1959 with the Steamship Company. The Steamship Company, however, intimated that a claim of interest for the difference amount might be payable but felt that they would be forced to re-open the price fixation at Rs. 106·8 lakhs on the ground of unreasonableness and also for agreeing not to include the penalty clause for delayed delivery of the ship in the agreement at the request of the Shipyard. In this connection it may be mentioned that the ship was delivered in October, 1959 as against the original stipulation of August, 1959. Thus there was a delay of only two months in the delivery of the ship and this was less than the delay by the Steamship Company in paying the instalments and, therefore, the delivery date could have been extended without penalty under clause 12 of the agreement. The Board, however, waived the claim for interest on 6th November, 1959.

Generally the U.K. parity price is subject to escalation but in this case the price was fixed without such stipulation. The amount that could have been claimed on escalation works out to Rs. 6,88,814.

4. *Disposal of surplus stores*.—The Public Accounts Committee in para. 149 of the Eighteenth Report (2nd Lok Sabha), recommended that unwanted stores should be cleared quickly by the Shipyard to reduce storage and maintenance charges. The Ministry in their reply in 1960 intimated that necessary action was being taken by Shipyard by holding periodical auctions.

The position of the disposal of stores since 1957, when it was first reported by Audit (Para. 44 of the Audit Report, 1957) has not, however, been satisfactory as would be evident from the table below:—

(Rs. in lakhs)

| Year | Opening Balance | Addition | Disposal | Balance |
|---|---|---|---|---|
| 56-57 . . . . . . . | 17·50 | .. | .. | 17·50 |
| 57-58 . . . . . . . | 17·50 | ·35 | ·35 | 17·50 |
| 58-59 . . . . . . . | 17·50 | ·01 | ·01 | 17·50 |
| 59-60 . . . . . . . | 17·50 | 1·70 | 2·49 | 16·71 |
| 60-61 . . . . . . . | 16·71 | 0·16 | 0·49 | 16·38 |
| 61-62 . . . . . . . | 16·38 | .. | 1·10 | 15·28 |
| 62-63 . . . . . . . | 15·28 | .. | 0·16 | 15·12 |
| | 17·50 | 2·22 | 4·60 | 15·12 |

The disposal of stores of the Book value of Rs. 4·60 lakhs resulted in a loss of Rs. 2·30 lakhs. Out of the balance of Rs. 15·12 lakhs, stores valued at Rs. 14·56 lakhs were re-categorised as usable in 1962-63. It is not clear why these stores had been categorised as unusable in the first instance.

5. *Avoidable loss of Rs. 54,077 due to delay in filing of insurance claims by Hindustan Shipyard Ltd.*—The Company used to open the packages of imported goods only when the materials were required for actual use. In this way the inspection of some materials received as early as February, 1954 was delayed beyond the period of insurance cover and claims worth Rs. 54,077 preferred by the Company for shortages/damages were rejected by the under writers/carriers on account of their being time-barred. It has been stated that the old procedure of inspecting the materials only at the time of their use has been revised with effect from June, 1960.

6. *Loss of Rs. 20,054·00 due to delay in preparing the claim of insurance*.—The Hindustan Shipyard received two cases containing

Fire-Hose Pipes from West Germany in January, 1956. As the cases were found to be intact outwardly they were kept in the stores unopened on the presumption that the goods were in order. On a requisition from the Plumbing Department the cases were opened on the 11th April, 1957 and it was found that the entire consignment was damaged. The Company preferred the following claims under transit risk insurance against the 'A' Insurance Company:—

| Debit Note Nos. and Date | Details | Amount |
|---|---|---|
| | | Rs. |
| 336/57 dt. 15-11-57 . . . . . | 12 Hose pipes | 4,454·45 |
| 754/60 dt. 10-10-60 . . . . . | 46 Hose pipes | 15,600·00 |
| | TOTAL . . | 20,054·45 |

According to the Survey Report the damage did not appear to have occurred during transit but while the cases were lying in stores. The Insurance Company rejected the claim on the plea that the loss was outside the risks covered under the policy. According to an enquiry committee's findings the damage arose from defective storage.

The management have stated that disciplinary action has been taken against the officers concerned.

7. *Observations of Company Auditors.*—Apart from the general deficiencies like diversion of Internal Audit staff, no standby plants, heavy sundry debtors etc., it has been emphasised by the Auditors that under the present set up of the billing section it would be difficult if not impossible to verify whether all the liabilities in respect of the goods received have been provided or not. It has been stated that as on 31st December, 1962, 844 bills involving Rs. 28·43 lakhs were pending. Moreover, the estimates prepared by the Company are not in consonance with the details of jobs which are available for cost accounting purposes. Estimating is done on a very broad basis for a ship as a whole and not by jobs. Hence no comparison can be made between actuals and estimates.

## XIV. HINDUSTAN MACHINE TOOLS LIMITED

1. *Leave Rules applicable to the Company.*—The Managing Director, Hindustan Machine Tools Limited was allowed, with effect from 29th December, 1961, the benefit of full pay leave for a total period of 244-5/11 days, partly by payment of Rs. 22,864 in cash and the

balance by actual grant of leave even though, according to the Leave Rules of the Company applicable to him on that date, he was entitled to accumulate only 90 days leave on full pay. Moreover, there was no provision in those leave rules for payment of cash in lieu of leave. When this was pointed out by Audit, Government stated that the new Rules received from the Hindustan Machine Tools Ltd. were made applicable to him with retrospective effect from 1954 and those rules were under examination and finalisation by the Ministry.

Also, the Managing Director, on his own authority allowed the benefit of 157 days' and 120 days' full pay leave respectively to two of the Company's employees partly by encashment and partly by 'carryover' of the balance of leave to be granted at a future date violating the same two conditions, as in the case of the Managing Director, in the leave rules then in force.

2 *Loss on sale of one Dean Smith and Grace Capstan Lathe.*— The Hindustan Machine Tools Ltd. sold in November, 1960 one Dean Smith Capstan Lathe for Rs. 1,670 (being the book value of the lathe Rs. 2,267 less depreciation Rs. 597). The actual book value of the lathe as on the 31st March, 1960 was, however, Rs. 12,600. The Company has stated that there were two Dean Smith Lathes and by oversight the value of one was mistaken for the other. The loss of Rs. 10,930 was written off by the Company in its account for 1960-61.

## XV. HINDUSTAN AIRCRAFT LIMITED

1. *Misappropriation of cash—Loss of Rs.* 18,750

In one of the Bases of the Hindustan Aircraft Limited a sum of Rs. 18,750 was misappropriated during the period October, 1961 to August, 1962. The investigation conducted by the Company in August and November, 1962 revealed that the misappropriation of cash was rendered possible mainly due to the following reasons:—

(1) The Bank Account in which the funds of the Company at the base were held, was maintained in the personal name of the Officer-in-charge instead of in the Company's name.

(2) The Officer-in-charge did not exercise proper supervision over the accounts of the base. He made no efforts to find out the state of accounts with the bank and certified the periodical statements of accounts sent by the base to the Head Office without verifying the cash and bank balances.

(3) On the ground that the Company had taken a fidelity insurance cover to safeguard the interest of the Company, no

local inspection of the accounts of the Base was conducted by the Head Office.

(4) The bank's action in permitting frequent overdrafts without the written request from the Officer-in-charge.

The Company has preferred a claim with the insurance Company with whom the fidelity Insurance Policy was taken. The settlement of the case is still awaited.

The Officer-in-charge was let off with a warning. The accounts clerk, who was found guilty of the charge of fraud and misappropriation was dismissed from service and as a result of the police case was convicted and sentenced to undergo 3 years rigorous imprisonment.

2. *Loss on purchase of defective and obsolete equipment.*

A Government Company (Hindustan Aircraft Limited) placed an indent in October, 1957 on the India Supply Mission, Washington, D.C. for one Hydraulic Test Stand of a specific model manufactured by a certain firm. The quotation received from the Manufacturing Company was for a new model which was functionally interchangeable with the earlier model but was designed into a more compact and efficient unit and they had also made it clear that the old model was no longer in production. In March, 1958, the indentor approved the purchase of this new model. Accordingly, an order was placed by the Mission on the manufacturers in April, 1958 at a total price of \$ 17,996·00 less 10 per cent discount. The manufacturers stated in May, 1958 in response to the order that they were not in a position to allow 10 per cent discount as the validity of their quotation which was only for 30 days had expired. While the reply from the manufacturers was under consideration, the Mission received a letter in June, 1958 from one of the Surplus Stockists offering to supply the original model as per the requirements of the Company, at a total value of \$ 15,500·00. The Mission immediately cancelled the contract on the manufacturers (June, 1958) and placed orders on these stockists for the equipment at the price stated above.

The offer received from these stockists was evidently a late tender being in response to the tender enquiry issued by the Mission in November, 1957 requiring the submission of tenders by the 16th of December, 1957. The reasons for accepting the late tender in violation of the prescribed procedure of purchase and the reasons for deciding to place orders on a surplus stockist though the indentor had desired purchase from the manufacturers as far as possible, are not on record. It is also seen that the Mission did not try to ascertain the financial stability of the Surplus Stockists before placing the order on them. Nor did they try to obtain satisfaction from the indentor or from any other competent source at that stage on the technical suitability of the equipment offered in spite of the fact that the said model had been stated to be obsolete by the manufacturers.

When the equipment was received by the Company in December, 1958 it was found that the same was of a different type but had apparently been reconditioned and modified to suit the specifications of the type called for by the purchase contract. After some correspondence the firm finally agreed in December, 1959 to take back the equipment. The Mission accordingly requested the company in January, 1960 to return the equipment. In July, 1960 they impressed upon the company the urgency of returning the equipment stating that the firm was in difficulties and that it might be difficult to recover any amount from them. It was also suggested by the Mission that the whole matter might be considered again with a view to utilise the equipment to the best possible advantage of the Company. Hindustan Aircraft Ltd. constituted a Committee which, after careful review, found that the equipment could not be made use of. Therefore, it was shipped back in October, 1960. On receipt in the United States, a technical inspection by Experts confirmed the view that the equipment was not worth fixing.

The firm which had supplied the equipment had in the meanwhile gone out of business in 1960 and was reported to be insolvent. The equipment was, therefore, put in storage in U.S.A. According to enquiries made by the Mission, the equipment could not be sold in the U.S.A. for anything more than its scrap value due to its obsolescence. The Mission instituted legal proceedings against the defaulting firm in March, 1961. But in view of the insolvency of the firm a compromise settlement was reached in March, 1963 by which the Mission realised a sum of \$ 7,500 less \$ 2,059·02 representing the fees and out of pocket expenses of the Legal Adviser, from the party who had sold the equipment to the Surplus Stockists and had been joined as the third party in the law suit. The transaction thus resulted in a net loss of \$ 13,440·48 (Rs. 64,002·28) less the scrap value of the test stand.

## XVI. NEYVELI LIGNITE CORPORATION LIMITED

*Avoidable expenditure of Rs. 39,900 on Ritz Pumps.*—In April, 1955, an order was placed by the Lignite Project, Neyveli on a firm of

New Delhi for the supply of four submersible pumps of 1,000 gallons capacity per minute at a cost of Rs. 1,25,032 F.O.R. Madras, with a condition that the motor should be wound for a temperature of 40°C above the ambient temperature of 45°C. In August, 1955 a repeat order for 8 pumps was placed directly on the manufacturers, at a price of £ 14080-16-0 F.O.B. Hamburg with a similar condition regarding the winding of motors as in the order placed on the firm of New Delhi. After receipt of the order the manufacturers stated that their motors could not be wound for a temperature of 40°C above an ambient temperature of 45°C, and that the motors would be guaranteed for operation at 25°C only. This was accepted by the Project authorities although the temperature of the water to be pumped was 31·7°C.

The pumps ordered were received in the latter part of 1955 and in March, 1956. During the tests conducted in 1956, the first four pumps worked only for about 2 months and the remaining pumps worked only for about 15 days. Although only six motors of the pumps had actually failed, the motors of the remaining seven pumps (including one standby pump) were also showing signs of deterioration in insulation. The motors were, sent back to Germany and were got repaired and put to use at the cost of the Corporation.

The Corporation has stated that the pump sets had to be obtained in a hurry to complete the pumping tests quickly and that no body really knew the correct specifications needed. The expenditure on repairs so far incurred works to Rs. 39,900.

## XVII. HINDUSTAN HOUSING FACTORY LIMITED

*Loss due to Purchase of Defective Timber.*—The Company has been obtaining its requirements of timber through the Directorate General, Supplies and Disposals. In order to avoid any dispute that may arise due to the defects in the quality of timber, the Company had arranged for joint inspection by the Company's as well as the Suppliers' representatives before despatch.

An order for the purchase of 1,20,000 cft. each of Deodar and Kail sleepers was placed with the Chief Conservator of Forests, Jammu & Kashmir, Srinagar on 27-11-1957 through the D.G.S. & D. The Stores Officer of the Company sent to Kashmir on 15-11-1959 inspected 51,500 cft. of timber.

The first consignment of timber was received on 15-12-1959. This was found not to conform to the ISI specifications of first grade and the Company requested the Chief Conservator of Forests, Jammu & Kashmir on 6-6-1960 and again on 13/14-6-60 to stop further supplies.

The Chief Conservator of Forests, Jammu & Kashmir, however, despatched the entire timber inspected. It has been stated by the Company that the representatives of the Chief Conservator of Forests, Jammu and Kashmir in the meeting held on 3-2-1960 did not agree for the re-inspection of timber.

The cost of defective timber supplied to the Company amounted to Rs. 4,40,930/-. It has been stated by management that the matter is under investigation by the Special Police Establishment, Delhi.

## XVIII. GARDEN REACH WORKSHOPS LIMITED

1. *Loss of Rs.* 19,00,000 *in the fabrication work.*—The Workshops entered into an agreement to supply structural parts of a certain machine to a foreign firm at a total price of Rs. 6,92,000. The actual cost of manufacture of the machine, however came to Rs. 25·92 lakhs. This includes cost of additional items of work amounting to Rs. 3·13 lakhs and is neither covered by the contract nor accepted by the firm. The loss on this account thus works out to Rs. 19,00,000/-. It has been stated by the workshop that the contract was a maiden venture on their part in the manufacture of such machines and the loss was due to defective estimates prepared before the price was quoted.

2. *Observations of the Company Auditors.*—The Company Auditors have reported about the workshops as under:—

(a) The original cost figures of various assets as appearing in the Assets Register could not be reconciled with those appearing in the fixed Assets Schedule attached to the Balance Sheet.

(b) So far no system of detailed internal audit has been evolved.

(c) The foundry rejections of non-ferrous metal were 8·27% of the total metal input in 1962-63 and cutting losses in the timber workshop was 45·03% of the total timber processed.

(d) Contracts were accepted at prices below total cost.

(e) There was no scientific system of procurement and control of inventory. Item-wise minimum and maximum limits of stock were also not determined. It was also revealed that Rivets amounting to Rs. 2·50 lakhs were lying in stock since 1957, whereas consumption of this during 1962-63 was only nominal. Apart from this value of old, non-moving timber stores and general stores amounted to Rs. 51,415/- and Rs. 82,766/- respectively.

(f) There was considerable time lag between the receipt of an order and the starting of the work. In a few cases the work on a job was actually taken in hand after the stipulated delivery date.

(g) The debts outstanding for more than one year amounted to Rs 25·09 lakhs out of the total debts of Rs. 1·06 crores outstanding as on 31-3-1963.

## XIX. NAHAN FOUNDRY LIMITED

1. *Observations of the Company Auditors.*—The following important points have been brought out by the Company Auditors in their Supplementary Report on the accounts for 1962-63.

(a) *Absence of an integrated costing system.*—The costing system that is being worked at present has to be fully extended so as to tie up with the costing records with financial books. In the absence of such an integrated costing system the value placed on finished products as well as work-in-progress are only approximations. It is also not possible to find out whether various overheads are being correctly charged or not.

(b) There is no internal audit system.

(c) The budget that is being currently prepared has more stress on cash transactions. In a commercial profit seeking factory like this the income and expenditure should be budgetted, on accrual basis; the ways and means position being forecast by means of Cash flow statements.

(d) There are no regular history sheets maintained in respect of each major plant and machinery with the result that no recorded dates as to the frequency at which the machines have been repaired or to be repaired and the number of hours for which each machinery has been worked are available. In the absence of such records it is difficult to ascertain as to whether all the plant and machinery have been effectively used and have been kept in constant repair.

(e) A test scrutiny of the store Ledgers revealed that certain stores were not issued for long. The closing stock of stores has considerably increased. Apparently there seems to be blocking of funds in stores and raw materials even though the Company has not much cash resources and has to depend upon cash credit from the Bank. The closing stock includes a good measure of obsolete stocks as well as slow moving and difficult to market items.

(f) During the year 1962-63 the Company has incurred a loss of Rs. 5·38 lakhs as against a profit of Rs. 1·26 lakhs earned in 1961-62.

(g) A sum of Rs. 7,301/- was paid as demurrage and re-booking charges in respect of a consignment wrongly booked for a destination other than the one meant for.

## XX. REPORTS OF COMPANY AUDITORS UNDER THE DIRECTIVES ISSUED BY THE COMPTROLLER AND AUDITOR GENERAL

In Chapter IV of the Audit Report (Commercial) 1963, the important points brought out by Government Company Auditors in special reports received in pursuance of the directives issued by this office have been dealt with. For the year 1962-63, such special reports have been received in the case of 42 Companies so far (7-2-1964). Some of the points contained in these Reports have already been mentioned in the preceding paragraphs of this chapter. Other points which may be of interest are given in the succeeding paragraphs.

2. *System of Accounts in Book-Keeping.*—In the cases of National Buildings Construction Corporation Limited and Indian Drugs and Pharmaceuticals Limited the Auditors have not been able to "audit in depth", as a result of the untimely and incomplete receipt of the returns from the Units and non-reconciliation of the subsidiary records etc. In the case of National Small Scale Industries Corporation Limited, Hindustan Housing Factory Limited and National Projects Construction Corporation Limited the accounts were submitted to the Auditors in September, 1963, although according to the instructions of the Company Law Administration the same should have been compiled by the end of May, 1963.

3. *Internal Audit.*—In 15 Companies, (Appendix) no proper system of internal audit has so far been introduced in spite of the fact that this was reported by the Auditors in their previous reports as well. The existing system is not considered to be comprehensive and effective in the case of Companies mentioned below:—

(i) National Mineral Development Corporation Limited.

(ii) Hindustan Antibiotics Limited.

(iii) Hindustan Housing Factory Limited.

(iv) National Coal Development Corporation Ltd.

(v) Fertilizer Corporation of India Limited.

It has also been reported that in 3 Companies mentioned below, adequate instructions indicating the financial powers of the Heads of the Branches or their subordinates have not been issued or complied with:—

(i) Hindustan Antibiotics Limited.

(ii) National Buildings Construction Corporation Limited.

(iii) Pyrites and Chemical Development Company Ltd.

The major Companies generally prepare their Budgets but in few of the established companies like Hindustan Steel Limited, National Coal Development Corporation Limited, Bharat Electronics Limited, Hindustan Insecticides Ltd., National Small Industries Corporation Limited and Hindustan Housing Factory Limited, wide variations between the Budget Estimates and the actuals were noticed.

4. *Manufacturing and Production Accounts.*—In the case of Indian Refineries Ltd. and Fertilizer Corporation of India (Sindri Unit) the system of standard costing has not been formulated.

In the case of National Coal Development Corporation and Hindustan Steel (Bhilai Steel Plant and Coal Washeries Project) periodical reconciliation of cost accounts with financial accounts is not being done.

As regards Handicrafts and Handlooms Exports Corporation of India Limited, it has been stated that the costing system introduced at the Okhla Work Centre and Moradabad Office has revealed that the same were not being worked out in a systematic manner in as much as exact allocation of overhead expenses was not made nor was the primary cost of various components taken at a constant figure.

5. *Balance Sheet.*—In the case of two Companies, the maximum and minimum limits of stores have not yet been fixed. Moreover, there is no system of periodical determination of surplus and unserviceable stores in order to ensure quick disposal of material in excess of requirements.

# APPENDIX

## List of Companies where there is no proper system of internal control

1. Hindustan Insecticides Limited.
2. National Industrial Development Corporation Ltd.
3. Films Finance Corporation Limited.
4. Indian Drugs and Pharmaceuticals Limited.
5. Mogul Line Limited.
6. National Instruments Limited.
7. Hindustan Photo Films Manufacturing Co. Ltd.
8. Kulu Valley Transport Limited.
9. Rehabilitation Housing Corporation Limited.
10. National Research Development Corporation Ltd.
11. Pyrites and Chemicals Development Company Ltd.
12. Hindustan Teleprinters Limited.
13. Nahan Foundry Limited.
14. Handicrafts & Handlooms Export Corporation of India Limited.
15. State Trading Corporation of India Limited.

## CHAPTER III

## DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

### XXI. INTRODUCTION

On 31st March, 1963 there were 41 Government Undertakings of a Commercial or quasi-Commercial nature run departmentally. A list of these undertakings arranged under the controlling Ministries with their financial position as on the 31st March, 1963 is given in the Annexure 'E'. The financial results of the working of these undertakings are ascertained annually by preparing statements of accounts on a proforma basis outside the General Accounts of Government. In respect of 8 departments regular proforma annual accounts, *viz.*, Trading and Profit and Loss Account and Balance Sheet are not prepared but only Stores Account or an Income and Expenditure Account is maintained. In respect of 6 departments either the proforma accounts have not been received or received so late that the audited figures are not available for incorporation in the statement (February, 1964).

# ANNEXURE 'E'

ANNEXURE

SUMMARISED FINANCIAL

| Sl. No. | Name of the Department | Govt. Capital | Block Assets Net | Deprecia- tion upto date | Interest on Govt. Capital |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | *Ministry of Industry* | | | | |
| 1. | Government Salt Sources, Mandi | 15,67 | 11,13 | 99 | 40 |
| | *Ministry of Finance* | | | | |
| 2. | India Security Press, Nasik Road | 2,93,01 | 1,04,09 | 71,36 | 9,20 |
| 3. | Currency Note Press, Nasik Road | 4,25,94 | 1,78,93 | 48,55 | 13,33 |
| 4. | Govt. Opium Factory, Neemuch (year ending on 30-9-1962) | 97,14 | 43 | 1* | 3,15 |
| 5. | Govt. Opium & Alkaloid Works, Ghazipur (year ending on 30-9-62) | 3,82,83 | 11,41 | 16,34 | 13,06 |
| 6. | India Government Mint, Bombay | 2,08,02 | 64,73 | 3,05 | 6,65 |
| 7. | India Government Mint, Calcutta | 3,50,75 | 1,49,96 | 97,03 | 19,93 |
| 8. | India Government Mint, Hyderabad | 15,75 | 4,37 | 29 | 56 |
| 9. | Assay Department, Bombay | 5,93 | 29 | 3* | .. |
| 10. | Assay Department, Calcutta | 58 | 47 | 6 | .. |
| 11. | Silver Refinery Project, Calcutta | 2,18,84 | 98,00 | 4,11* | 7,97 |
| | *Ministry of Works, Housing and Rehabilitation* | | | | |
| 12. | Publication Branch, Delhi | | | ......Regular Accounts | |
| 13. | Govt. of India, Presses | | | | ——do—— |
| 14. | Himachal Pradesh Admn. Press, Simla | | | | ——do—— |
| | *Ministry of Information and Broadcasting* | | | | |
| 15. | All India Radio | 28,30,79 | 7,33,69 | 3,37,05 | 28,84 |
| 16. | Films Division, Bombay | 31,94 | 17,88 | 17,10 | 1,25 |
| 17. | Radio Publications | 52,45 | .. | .. | 10 |

'E'

RESULTS OF 1962-63

(Figures in thousands)

| Profit(+) Loss(—) | Total Return | Percentage of return on Government Capital employed | REMARKS |
|---|---|---|---|
| 7 | 8 | 9 | 10 |
| (—) 54 | (—) 14 | .. | |
| 61,16 | 70,36 | 24.00 | |
| 37,11 | 50,44 | 11·8 | |
| 10,94 | 14,09 | 14·5 | *Depreciation for the year ending 30-9-1962 only. |
| 1,06,68 | 1,19,74 | 31·3 | |
| 1,28,71 | 1,35,36 | 65·1 | |
| 1,39,78 | 1,59,71 | 45·6 | |
| (—) 2,28 | (—) 1,72 | .. | |
| 9,19 | 9,19 | 154·9 | *Depreciation for the year 1962-63 only. |
| 1,57 | 1,37 | 236·2 | |
| 3,86,99 | 3,94,96 | 180·5 | *Depreciation for the year 1962-63 only. |
| are not prepared........... | | | |
| (—) 76,66 | (—) 47,82 | .. | |
| 34,09 | 35,34 | 110·6 | |
| (—) 3,03 | (—) 2,93 | .. | |

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| | *Ministry of Transport and Communications* | | | | |
| 18. | Overseas Communication Service, Bombay . . . . . . | 3,21,49 | 2,18,50 | 1,33,52 | 10,07 |
| 19. | Lighthouses and Lightships Departments . . . . . . | (—) 5,97 | 4,84,18 | 35,22 | .. |
| 20. | Manipur State Transport . . | | | ——Accounts | |
| 21. | Himachal Government Transport, Simla . . . . . . | 90,59 | 91,70 | 48,27 | 2,48 |
| 22. | Himachal Govt. Transport, Central Workshops, Taradevi . . . | 6,86 | 5,26 | 2,02 | 20 |
| 23. | Himachal Govt. Transport, Central Stores, Taradevi . . . | 35,99 | 27,47 | 26 | 1,27 |
| | *Ministry of Home Affairs* | | | | |
| 24. | Marine Department (Dockyard) Andaman . . . . . . | | | | ——Accounts |
| 25. | Shipping Department, Andaman . | | | | ——Accounts |
| 26. | State Transport Service, Andaman . | | | | ——Accounts |
| 27. | Ferry Service, Andaman . . . | | | | ——Accounts |
| | *Ministry of Food and Agriculture* | | | | |
| 28. | Himachal Pradesh Rosin & Turpentine Factory, Nahan . . . | 22,69 | 3,10 | 3,78 | 61 |
| 29. | Indian Veterinary Research Institute, (Livestock, Milk and Milk Products), Izatnagar . . . . | | ———Regular | Accounts | |
| 30. | Indian Veterinary Research Institute (Livestock, Milk and Milk Products), Mukteshwar . . . | | ———Regular | Accounts | |
| 31. | Indian Veterinary Research Institute (Biological Products), Izatnagar . | 3,09 | 1,10 | 9* | 6 |
| 32. | National Dairy Research Institute, Bangalore . . . . . | | | ———Regular Accounts | |
| 33. | Reserve Pool of Fertilizers . . | 7,44,99 | .. | .. | 14,72 |
| 34. | Quick Freezing Plant, Cold Storage and Ice Factory, Bombay . . | 6,94 | 6,71 | 8,13 | 26 |
| 35. | National Dairy Research Institute, Karnal . . . . | | | ———Regular Accounts | |
| 36. | Delhi Milk Scheme . . . | 1,64,68 | 1,58,44 | 20,59 | 6,34 |
| 37. | Forest Department, Andaman. . . | *3,95,56* | *68,97* | *11,40* | *14,98* |

| 7 | 8 | 9 | 10 |
|---|---|---|---|
| 1,08,58 | 1,18,65 | 36·9 | |
| 66,64 | 66,64 | .. | |
| not received—— | | | |
| 14,75 | 17,23 | 19 | |
| 1,36 | 1,56 | 22·7 | |
| (—) 47 | (+) 80 | 2·2 | |
| not received—— | | | |
| not received—— | | | |
| not received—— | | | |
| not received—— | | | |
| 2,46 | 3,07 | 13·5 | |
| are not prepared—— | | | |
| are not prepared—— | | | |
| 2,10 | 2,16 | 69·9 | *Depreciation for the year 1962-63 only. |
| are not prepared—— | | | |
| 8,50,07 | 8,64,79 | 116·00 | |
| (—)7 | 19 | 2·7 | |
| are not prepared—— | | | |
| (—) 10,64 | (—) 4,30 | .. | |
| *15,67* | *30,65* | *7·7* | |

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| | *Ministry of Health* | | | | |
| 38. | Central Research Institute, Kasauli . | 8,10 | 1,67 | 21* | 20 |
| 39. | Medical Stores Depots . . . | | | ———Regular Accounts | |
| 40. | Bakery Mineral Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi . . | 38 | 38 | 1 | .. |
| | *Ministry of Irrigation and Power* | | | | |
| 41. | Electricity Department, Andaman . | | | | ———Accounts |

| | 7 | 8 | 9 | 10 |
|---|---|---|---|---|
| | 1,57 | 1,77 | 21·9 | *Depreciation for the year 1962-63 only. |
| are not prepared— | | | | |
| | (—) 2 | (—) 2 | .. | |
| not received—— | | | | |

## XXII. ALL INDIA RADIO

1. *Operating Cost.*—The following table indicates the actual expenditure, number of programme hours and cost of programme per hour for hte years 1959-60 to 1961-62:—

| | 1959-60 | 1960-61 | 1961-62 |
|---|---|---|---|
| Actual expenditure (In Rupees) . . . | 3,74,27,815 | 4,12,79,106 | 4,57,62,764 |
| Number of programme hours . . . . | 1,15,379 | 1,15,606 | 1,17,935 |
| Cost of programme per hour (In Rupees) . | 324 | 357 | 388 |

In 1961-62 the cost of programme per hour increased by 20 per cent over that of 1959-60. The main reasons for the higher cost per hour are stated to be the increase in salaries and allowances of staff, repairs and maintenance of Plant, depreciation on fixed assets and collection charges on licence fees, etc.

2. *Radio Publications.*—(a) The All India Radio publishes programme Journals in Assamese, Bengali, English, Hindi, Gujarati, Tamil, Telugu and Urdu. The Journal in English is published weekly and the others fortnightly and contain forthcoming programmes and reading material based on broadcast scripts. A comparative statement of income and expenditure of all the radio programme Journals for the last 4 years is given below:—

| | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| 1. Total income . . . | 13,44,019 | 14,84,602 | 16,66,065 | 16,84,002 |
| 2. Expenditure . . . | 15,99,638 | 16,75,436 | 19,69,698 | 19,87,208 |
| 3. Loss . . . . . | 2,55,619 | 1,90,834 | 3,03,633 | 3,03,206 |

It may be seen from the above figures that as compared to 1960-61, the loss in 1962-63 increased by about 58·9 per cent. In 1962-63 there was a fall in circulation, in the case of all journals varying from 3·6 per cent to 25·9 per cent as compared to 1961-62. It has been stated that these losses were mainly due to increase in printing charges of these journals. The question of revising the selling price of journals which was last fixed in 1958-59 should be considered.

3. *Agreement with the News Agency.*—Payments to the extent of Rs. 59,583, Rs. 63,750, Rs. 63,750 and Rs. 82,500 per month were made to a News Agency for the supply of news items during 1959-60, 1960-61, 1961-62 and 1962-63 respectively on *ad hoc* sanctions. Since such payments would continue from year to year it is essential to have proper agreement executed with the News Agency fixing the rates, etc. regulating these payments.

## All India Radio

*General Balance Sheet as on 31st March, 1963*

| 1961-62 | Liabilities | 1962-63 | 1961-62 | Assets | | 1962-63 |
|---|---|---|---|---|---|---|
| Rs. | | Rs. | Rs. | | Rs. | Rs. |
| 9,29,97,468 | Government Capital . . . . | 10,70,74,434 | 9,44,54,302 | Fixed Assets: (1) As per Capital Account | 10,70,74,434 | |
| 17,30,91,300 | Govt. Current Account . . . | 17,60,04,727 | | (2) As per Revenue Account Net | 14,28,899 | 10,85,03,333 |
| 53,84,943 | Sundry Creditors . . . . | 66,40,433 | 1,17,70,662 | Stores and Spares . . . . | | 1,28,40,932 |
| 1,770 | Cash Security Deposits . . . | 3,720 | 68,006 | Stores in Transit . . . . | | 64,323 |
| 2,93,94,785 | Depreciation Reserve . . . . | 3,37,05,334 | 1,95,351 | Sundry Debtors . . . . | | 1,85,177 |
| | *Undischarged Liability* | | 1,770 | Cash Security Deposits . . . | | 3,720 |
| 3,54,552 | Audit Fee . . . . . . | 5,63,489 | 94,560 | Prepaid Expenses . . . . | | 1,08,681 |
| | | | 45,798 | Cash in hand . . . . | | 26,217 |
| | | | 29,184 | Service Stamps . . . . | | 34,506 |
| | | | 19,45,65,185 | Excess of expenditure over Income from 1933 to 1963. Less revaluation of assets Rs. 5,547/-. . . . . | | 20,22,25,248 |
| 30,12,24,818 | | 32,39,92,137 | 30,12,24,818 | | | 32,39,92,137 |

*Revenue Account for the year 31st March, 1963*

| 1961-62 | Expenditure | 1962-63 | 1962-63 | 1961-62 | Income | 1962-63 |
|---|---|---|---|---|---|---|
| Rs. | | | Rs. | Rs. | | Rs. |
| | To:— | | | | By:— | |
| 1,54,26,250 | Salaries, Allowances, Honoraria etc. . | | 1,66,50,660 | 4,19,76,052 | Licence Fees . . . | 4,89,77,692 |
| 1,06,53,146 | Payments to performing Rights Society-News agencies-Publicity programmes, Artists, etc. . . . . . . | | 1,14,21,557 | 4,99,753 | Misc. Receipts . . . . | 3,73,603 |
| | | | | 1,10,44,276 | Excess of expenditure over Income . | 76,65,610 |
| 62,48,405 | Power, Lighting, Telephone and other Misc. Expenditure . . . . | | 64,22,260 | | | |
| 46,076 | Purchase of Gramophone Records . . | | 80,723 | | | |
| 36,89,130 | Maintenance & Repairs including hire of furniture & equipment . . . | | 35,07,121 | | | |
| 1,71,846 | Royalty . . . . . | | 1,94,454 | | | |
| 14,48,121 | Pension & gratuity charges . . . | | 16,78,046 | | | |
| 49,65,848 | Depreciation: | | | | | |
| | (*a*) Fixed Assets (Capital) | 44,98,968 | | | | |
| | (*b*) Fixed Assets (Revenue) | 2,92,533 | 47,91,501 | | | |
| 1,99,987 | Audit Charges . . . . . | | 2,08,937 | | | |
| 25,60,080 | Interest . . . . . . | | 28,83,772 | | | |
| 21,40,411 | Head Quarters Charges . . . | | 20,32,387 | | | |
| 59,70,781 | Collection charges on Licence Fees or charges for antipiracy work paid to Posts & Telegraphs Department . . | | 71,45,487 | | | |
| 5,35,20,081 | | | 5,70,16,905 | 5,35,20,081 | | 5,70,16,905 |

ALL INDIA RADIO

*Balance Sheet of Radio Publications as on the 31st March, 1963*

| 1961-62 | Liabilities | 1962-63 | 1961-62 | Assets | 1962-63 |
|---|---|---|---|---|---|
| Rs. | | Rs. | Rs. | | Rs. |
| 50,06,766 | Government Capital . . . . . | 52,44,534 | 6,835 | Block Assets (Net) . . . . . | 16,597 |
| 2,59,657 | Sundry Creditors . . . . . | 5,06,718 | 2,40,871 | Stock in hand . . . . . | 4,23,461 |
| 17,000 | Cash Security Deposits . . . | .. | 2,14,468 | Sundry Debtors . . . . . | 2,15,564 |
| | *Undischarged Liability* | | 203 | Prepaid Expenses . . . | 113 |
| 22,753 | Audit Fee . . . . . . | 29,632 | 17,000 | Cash Security Deposits . . . | .. |
| | | | 17,231 | Cash in hand . . . . . | 12,375 |
| | | | 48,09,568 | Excess of Expenditure over income from 1934-35 to 1962-63 . . | 51,12,774 |
| 53,06,176 | | 57,80,884 | 53,06,176 | | 57,80,884 |

ALL INDIA RADIO

*Income and Expenditure Account of the Radio Publications for the year ended 31st March, 1963*

| 1961-62 | Expenditure | 1962-63 | 1961-62 | Income | 1962-63 |
|---|---|---|---|---|---|
| Rs. | | Rs. | Rs. | | Rs. |
| | To:— | | | By:— | |
| 2,23,507 | Salaries, Allowances & Pension Contributions | 2,40,911 | 1,10,286 | Subscription . . . . . . | 1,07,089 |
| 11,79,400 | Printing, Stationery Blocks and Cartoons etc. | 11,08,196 | 4,78,758 | Advertisements . . . . . | 4,43,144 |
| 1,53,872 | Miscellaneous Expenses . . | 1,99,639 | 10,68,245 | Sales . . . . . . | 11,23,616 |
| 3,31,531 | Commission on Sales & Advertisements | 3,80,985 | 8,776 | Miscellaneous Receipts . . . | 10,153 |
| 16,343 | Bad Debts . . . . . | 50 | 3,03,633 | Excess of Expenditure over Income . | 3,03,206 |
| 19,031 | Interest on Capital . . . | 9,995 | | | |
| 9,536 | Audit Fee . . . . . . | 6,879 | | | |
| 42,220 | Head Quarters Charges . . . | 39,365 | | | |
| (—)5,742 | Depreciation . . . . . | 1,188 | | | |
| 19,69,698 | | 19,87,208 | 19,69,698 | | 19,87,208 |

## XXIII. SILVER REFINERY—CALCUTTA

1. In June, 1948, Government of India decided to set up a Silver Refinery for extracting silver from Quaternary Alloy Coins at the rate of 23 million ounces of fine silver per annum.

2. *Project Estimate.*—A firm of Chemical Engineers were appointed in May, 1950 for finalising the plans and specification of the refinery. The cost of the Project was estimated at about Rs. 60 lakhs. When global tenders were invited for the work, not a single tender was received for the work as designed by the firm of Chemical Engineers and the Government had therefore, to accept an alternative process of another foreign firm. Consequently, the agreement with the firm of Chemical Engineers was terminated after making a payment of Rs. 2·4 lakhs.

3. *Delay in Commissioning of the Refinery.*—In March, 1953, an Ageement was entered into with a foreign firm for the supply of machinery, and in 1956, another agreement was entered into with an Indian firm for erection, testing and commissioning of the Plant with the assistance of the foreign firm referred to above. According to these agreements, the Plant was to be commissioned in November, 1957. In fact, however, the Plant started regular production only in April, 1960, that is, after a delay of about 28 months. Even then the production capacity was deficient to the extent of 20 per cent in the Melting Department, 25 per cent in Cell House and 50 per cent in the Ancillary Department. The technicians of the firm left India in April, 1960 without formally handing over the Plant.

In this connection, a reference is invited to the Public Accounts Committee's recommendations in Para 35 of their Twentyfifth Report, (Volume I), (Second Lok Sabha) and Para 4 of the Estimates Committee, 104th Report (Second Lok Sabha) wherein it was desired that the matter should be examined with a view to fixing the responsibility for the extra expenditure due to the delays which took place at more than one stage. It is understood that after the settlement of the claims with the foreign firm, the claims of the Indian firm have also been settled.

When the idea of refinery was conceived in 1948, it was expected that it would start functioning sufficiently early to recover from the Quaternary Alloy Coins the quantity of silver that the Government of India had taken on lend-lease agreement during the World War II and which had to be returned by 28th April, 1957. This repayment, however. had to be made from other sources.

4. *Future Set-up.*—The extraction of silver from the available stock of Quaternary Alloy Coins (255 million ounces) would keep the refinery busy for a period of 5 to 7 years. It has been stated that when no longer required this refinery can be converted into a Copper Refinery without any major modifications.

5. *System of Accounts.*—Books of accounts are maintained on a cash basis and Proforma Accounts are prepared at the end of the year, as in the case of other Departmental undertakings. It has however, been stated by the Management that necessary steps are being taken to switch over to double entry system.

There is no system of costing in the Department with the result that the cost per ounce of refined silver cannot be accurately ascertained.

## OTHER TOPICS OF INTEREST

## XXIV. ASSAY DEPARTMENT

*Unnecessary purchase of equipment.*—The combined office of Assay Department and Silver Refinery Project, Calcutta purchased in May, 1957 an X-Ray Diffraction Plant at a cost of Rs. 22,293 inclusive of installation charges. The equipment, however, could not be brought under use for want of certain components and accessories.

The Assay Department was bifurcated from the Silver Refinery in September, 1960 and the equipment was transferred to the Assay Department on the 19th June, 1961. An expenditure of Rs. 1,000 was incurred on its dismantling and reinstallation. The Assay Department also procured spare parts worth Rs. 205 but the equipment has neither been found useful in the new set up nor disposed of so far (December, 1963). Thus the expenditure of Rs. 23,498 has proved infructuous.

## XXV. THE GOVERNMENT OF INDIA, PUBLICATION BRANCH

### Comment on Accounts.

(1) *Stock Ledgers.*—The system of maintaining Stores Ledgers showing the quantity of receipts, issues and returns etc. was introduced in the Publication Branch in 1960, in preference to the "Bin Card" system. The quantity ledgers have not so far been reconciled with the priced ledgers to ensure the accuracy of posting.

(2) *Physical verification.*—The physical verification of stock for 5 years upto 1961-62 has revealed excesses and shortages as compared with the figures in the stock ledger, as shown below:—

| Year | Excesses | Shortages |
|---|---|---|
| | Rs. | Rs. |
| 1957-58 | 14,259 | 44,221 |
| 1958-59 | 1,94,639 | 4,22,064 |
| 1959-60 | 2,064 | 6,125 |
| 1960-61 | 2,292 | 3,691 |
| 1961-62 | 1,47,631 | 5,00,630 |

The management have stated that upto 1960-61 only partial stock-taking was being done. In the year 1961-62 when complete stock-taking was undertaken considerable excesses and shortages were noticed.

(3) *Sundry Debtors.*—An amount of Rs. 3,44,096 was outstanding for collection on 31st March, 1963 out of which Rs. 1,09,483 were outstanding for more than 3 years.

NEW DELHI;

P. K. SEN,
*Director of Commercial Audit.*

*The* 26th March, 1964.

*Countersigned.*

NEW DELHI;

A. K. ROY,
*Comptroller and Auditor General of India.*

*The* 26th March, 1964.

GMGIPND—T. S. Wing—372 CAG (6219)—21-3-1964—2150.

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|---|---|---|
| | Rs. | Rs. |
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| 1959-60 | 2,064 | 6,125 |
| 1960-61 | 2,292 | 3,691 |
| 1961-62 | 1,47,631 | 5,00,630 |

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